

Austin, TX Office Quarter 1, 2026 (Q1 2026)

THE KEY NUMBER

4.4 million SF

4.4M SF ACTIVE DEMAND SIGNALS RECOVERY AMID PERSISTENT VACANCY

Active tenant demand of 4.4 million SF from 110+ tenants—led by 2.4 million SF from technology users—signals a demand pipeline that could meaningfully compress Austin's still-elevated vacancy, which ranges from 22.4% to 27.1% across brokerages. This forward demand is already translating into leasing activity above the five-year quarterly average of 1.2 million SF, with sublease space declining 1.2 million SF year-over-year to 2.9 million SF. However, the bifurcation between Prime/Class A absorption (+481,000 SF per CBRE) and Class B losses (-198,000 SF) underscores that recovery remains selective and concentrated in the CBD and Northwest submarkets.

01 — EXECUTIVE SUMMARY

Selective Recovery Beneath Persistent Vacancy

OVERALL VACANCY RANGE (Q1 2026)

22.4% – 27.1%

Elevated across all sources; Savills availability down 290 bps YoY

ACTIVE DEMAND

4.4M SF

110+ tenants in market; 2.4M SF from tech users

NET ABSORPTION (CBRE)

+283,000 SF

vs. -119,000 SF in Q1 2025 — year-over-year reversal

SUBLEASE AVAILABILITY

2.9M SF

Down from 4.1M SF in Q1 2025 — -1.2M SF YoY

ASKING RENT (CBRE)

\$49.38/SF

+1.2% YoY; +1.0% QoQ

TRAILING 12-MO SALES VOLUME

\$230M

Avg. pricing \$152/SF; avg. cap rate 6.5%

AUSTIN UNEMPLOYMENT RATE

3.7%

February 2026; nonfarm employment +1.1% YoY

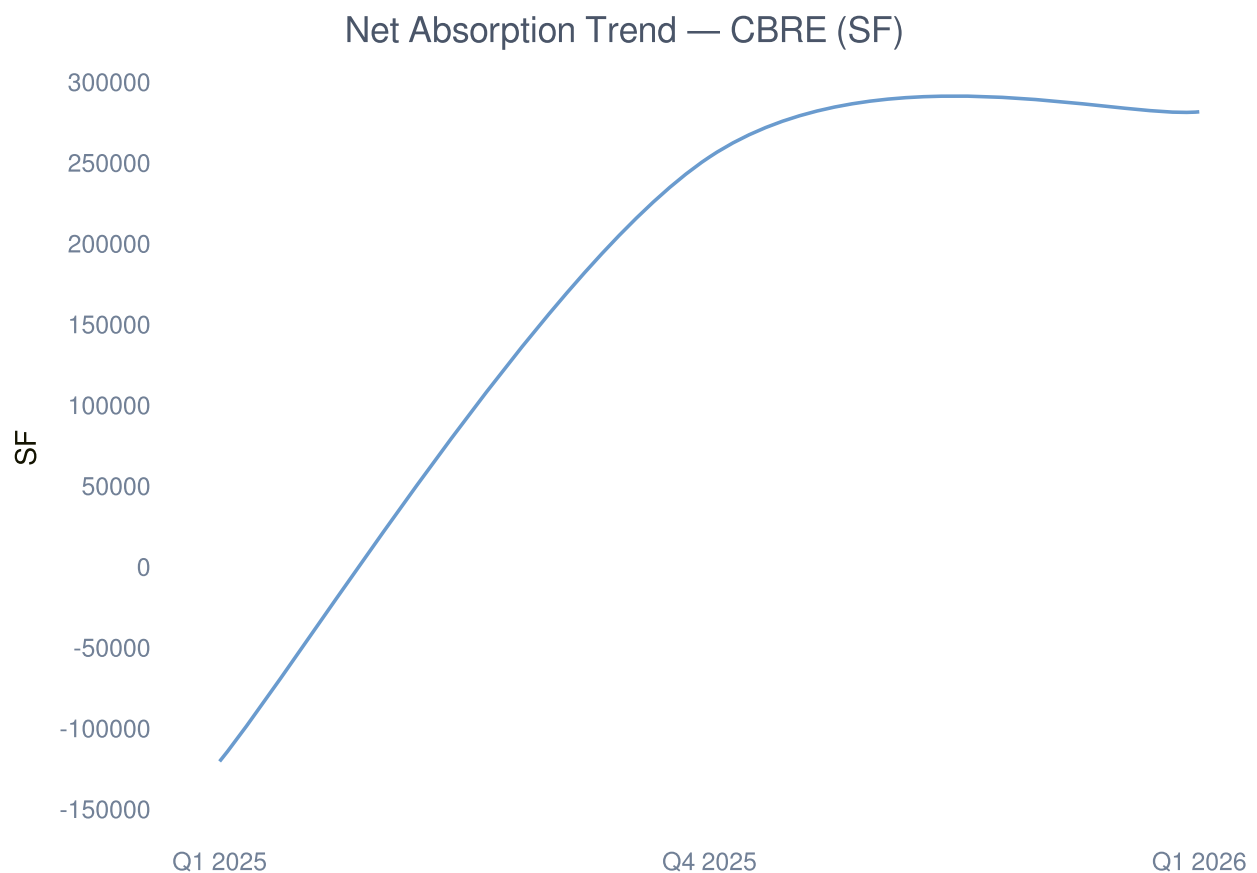
HIGHPOINT 2222 VACANCY REMOVAL

1.23M SF

Former 3M campus converted to owner-user; removed from vacancy pool

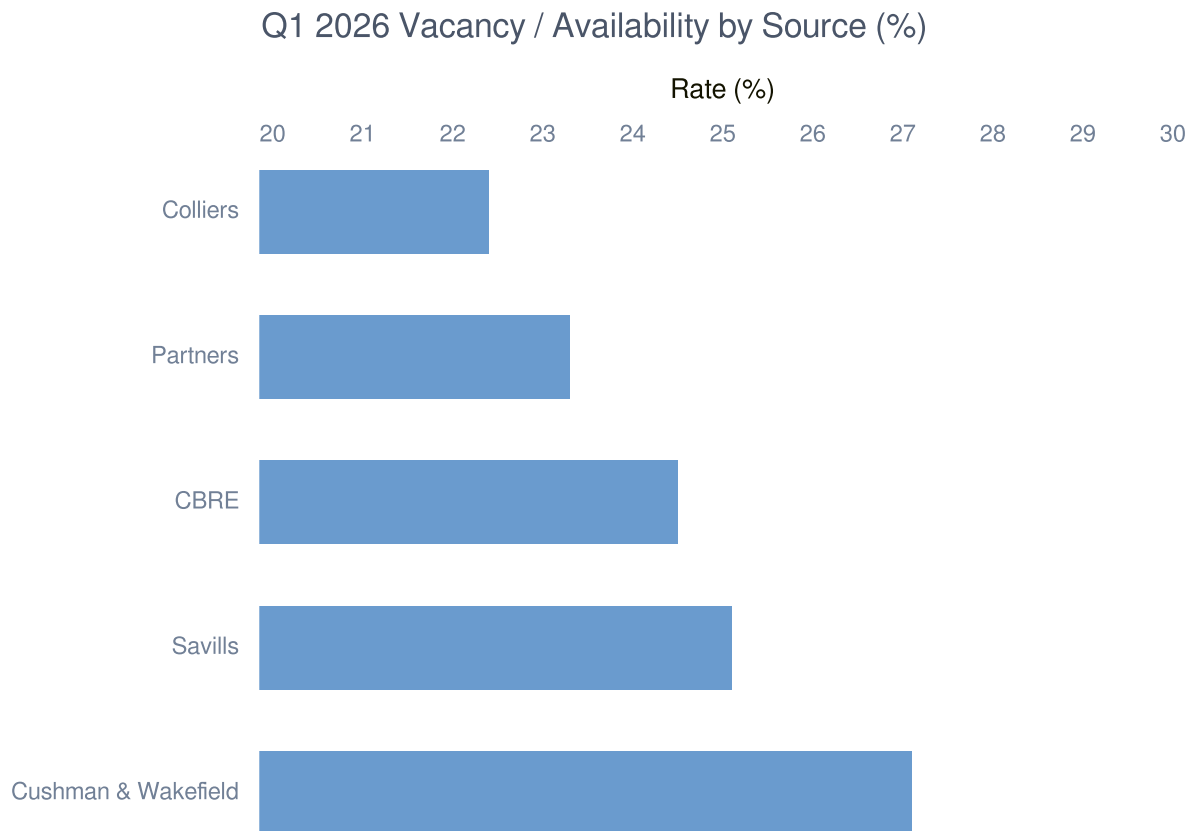
Tech Demand Anchors Recovery Signal. CBRE reported 4.4 million SF of active demand across 110+ tenants in Q1 2026, with technology users accounting for 2.4 million SF — more than half of all active requirements in the Austin office market.

The concentration of technology demand within Austin's active tenant pool reflects the metro's continued role as a destination for high-growth tech occupiers, even as headline vacancy remains elevated. With 2.4 million SF of tech requirements active alongside broader professional services demand, the pipeline of potential commitments is substantive relative to the market's size. Absorption readings diverged sharply by source this quarter — CBRE recorded +283,000 SF while Colliers and Cushman & Wakefield reported negative figures — a divergence partly explained by methodology and the treatment of the 1.23 million SF Highpoint 2222 campus removal from the vacancy pool following its conversion to owner-user status by SB Energy. Sublease availability, a key overhang metric, contracted meaningfully: Savills reported a decline from 4.1 million SF to 2.9 million SF year-over-year, signaling that the sublease correction that defined 2023–2024 is actively unwinding. If active demand converts to signed leases at even a moderate rate, net absorption could shift more decisively positive in the quarters ahead.



Vacancy, Rent & Demand Metrics Across Sources

▼ VACANCY DIVERGENCE: METHODOLOGY MATTERS



Wide Spread Reflects Boundary and Methodology Differences. Reported vacancy ranged from 22.4% (Colliers) to 27.1% (Cushman & Wakefield) in Q1 2026 — a 470-basis-point spread that underscores how submarket scope and sublease treatment materially affect headline figures.

The 470-basis-point spread across sources is not unusual in a market undergoing structural adjustment, but it complicates direct period-over-period comparisons. Colliers reported a modest 30-bps increase quarter-over-quarter (22.1% to 22.4%), while Partners recorded a 130-bps decline to 23.3% — the latter partly attributable to the Highpoint 2222 owner-user conversion removing 1.23 million SF from tracked vacancy. Savills' availability metric, which includes both direct and sublease space, declined 290 bps year-over-year to 25.1%, suggesting the broader availability pool is contracting even if direct vacancy remains sticky. The directional signals, taken together, point toward stabilization rather than continued deterioration.

▼ RENT TRENDS: MODEST GAINS AT THE TOP, PRESSURE AT THE MARGIN

SOURCE	Q1 2026 ASKING RENT	QOQ CHANGE	YOY CHANGE
CBRE	\$49.38/SF	+1.0%	+1.2%
Cushman & Wakefield	\$49.56/SF	—	—
Savills	\$46.70/SF	—	-3.6%
Colliers	\$45.45/SF	-1.6%	+1.2%
Partners Real Estate	\$45.02/SF	-1.3%	+1.7%

Rent Bifurcation Emerging. CBRE and Cushman & Wakefield report asking rents near \$49.50/SF — roughly \$4/SF above the Colliers and Partners figures — pointing to a quality-driven divergence where trophy and Class A assets sustain pricing while the broader market faces modest softening.

The \$4–\$5/SF gap between the upper and lower rent clusters is consistent with a flight-to-quality dynamic: premium assets in core locations are holding or gaining on asking rents, while the broader inventory faces downward pressure. Savills' -3.6% year-over-year decline to \$46.70/SF captures this softening at the market-wide level. Colliers' quarter-over-quarter decline from \$46.20/SF to \$45.45/SF reinforces the trend. With 4.4 million SF of active demand concentrated among tenants with demonstrated preference for quality space, the bifurcation between top-tier and commodity product is likely to persist.

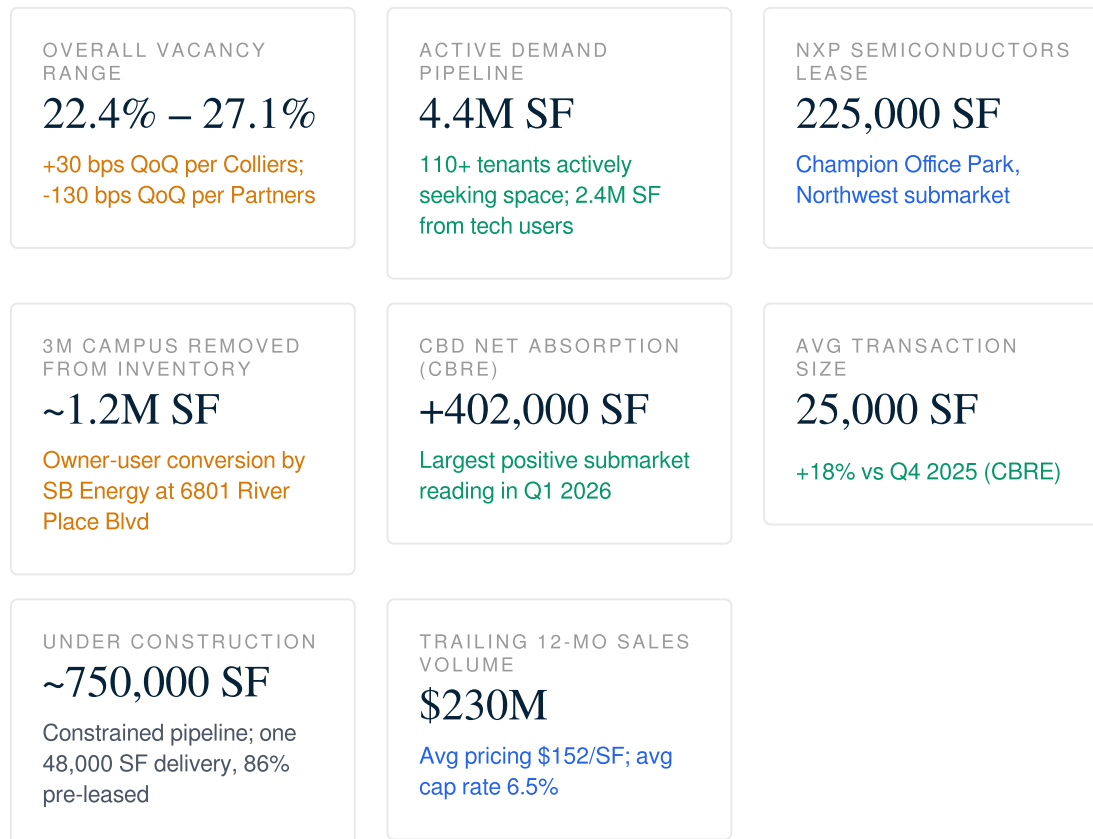
▼ INVESTMENT ACTIVITY: THIN VOLUME, MEASURED PRICING

METRIC	VALUE	SOURCE
Trailing 12-Mo Sales Volume	\$230M	Partners Real Estate
Average Price	\$152/SF	Partners Real Estate
Average Cap Rate	6.5%	Partners Real Estate
Asking Cap Rate	6.36%	Sigma
Asking Price	\$398.41/SF	Sigma
Closed Sales (Q1 2026)	27	Sigma
Avg. Days on Market	220.83 days	Sigma
Mortgage Rate	6.41%	Sigma

Extended Marketing Periods Signal Buyer-Seller Spread. With an average of 220.83 days on market and only 27 closed sales recorded in Q1 2026, transaction velocity remains constrained — consistent with a financing environment where mortgage rates of 6.41% compress buyer return thresholds.

The gap between Sigma's asking price of \$398.41/SF and Partners' trailing 12-month average closed price of \$152/SF illustrates the bid-ask spread that is suppressing transaction volume. The 220-day average marketing period suggests sellers have not yet fully adjusted expectations to match buyer underwriting at current debt costs. The 6.41% mortgage rate and 0.83 loan-to-value ratio reported by Sigma constrain leveraged returns, particularly for assets with elevated vacancy. The 1501 Volta Drive transaction — a 30,000 SF asset sold at \$223/SF to CapRidge Partners — represents the type of smaller, value-oriented deal that is clearing the market while larger trophy trades remain largely on hold.

Owner-User Conversion and Mega-Leases Rewrite Austin's Absorption Story

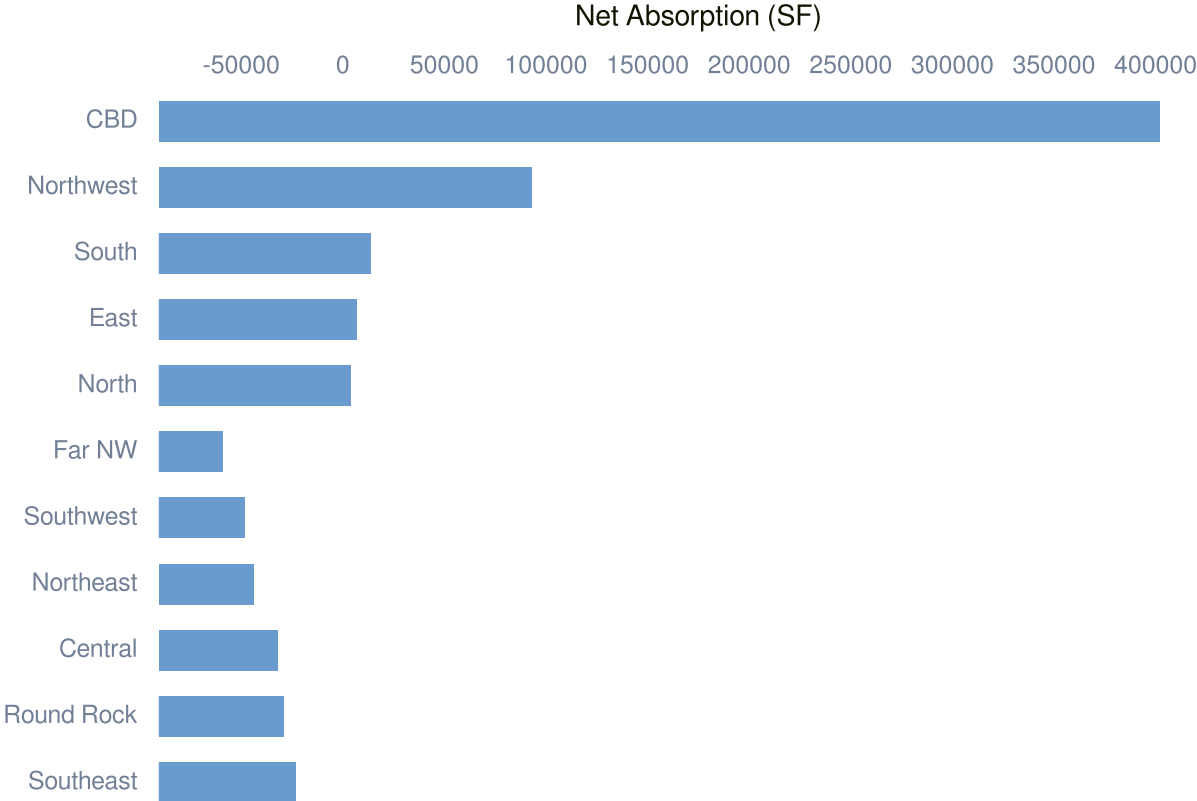


SB Energy's ~1.2M SF Owner-User Conversion Distorts Headline Vacancy. The former 3M campus at 6801 River Place Boulevard was removed from inventory calculations after SB Energy acquired and converted the asset to owner-user status — a single transaction that mechanically shifted reported vacancy figures across brokerages by a material margin.

The reclassification of the 3M campus is the single most consequential data event of Q1 2026. Cushman & Wakefield recorded 1,233,740 SF removed from vacancy, while Partners and Savills each cited approximately 1.1–1.2 million SF. Because different brokerages applied the adjustment differently — or not at all — the quarter's vacancy readings span a 470-basis-point range (22.4% to 27.1%), making direct cross-source comparison unreliable. Absorption figures are similarly distorted: Partners reported 1.1 million SF of net absorption, a figure that reflects the inventory removal rather than purely organic occupancy gains. Stripping out this mechanical effect, the underlying leasing environment is more measured — CBRE's 283,000

SF and Colliers' -166,129 SF offer a cleaner read on true occupancy momentum. The divergence underscores that headline metrics in Q1 2026 require source-level scrutiny before drawing conclusions about demand recovery.

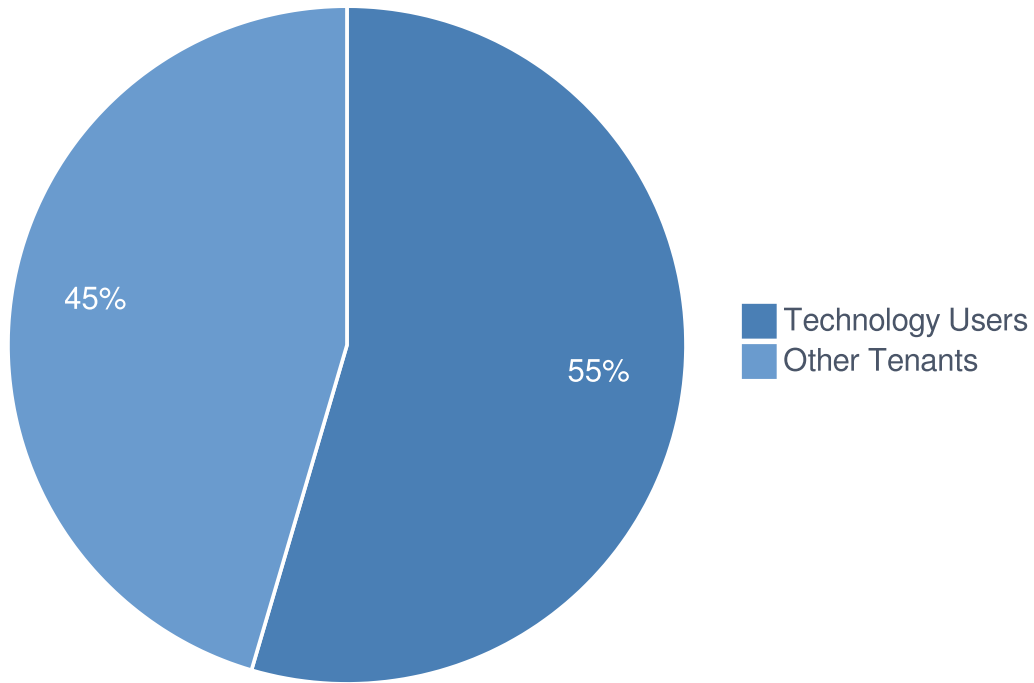
Q1 2026 Net Absorption by Submarket (CBRE, SF)



Demand Signals vs. Reported Occupancy: What's Actually Moving the Market

▼ TECH-LED DEMAND CONCENTRATION IN CBD AND DOMAIN

Active Demand by Tenant Type (SF)



4.4M SF of Active Requirements Signal Latent Recovery. CBRE tracked 110+ tenants in the market seeking 4.4 million SF, with 2.4 million SF — 55% of total active demand — attributable to technology users concentrated in the 2nd Street district and the Domain.

The scale of active demand stands in contrast to reported vacancy levels above 22%. Technology tenants, which drove Austin's office expansion cycle, are re-engaging the market at meaningful scale. CBRE's Q1 2026 leasing volume of 900,000 SF across 35 transactions averaged 25,000 SF per deal — 18% larger than Q4 2025 — suggesting tenants are committing to more substantial footprints rather than short-term, minimal-space arrangements. Northwest and CBD submarkets captured 50.2% and 30.2% of CBRE-tracked leasing volume respectively, reinforcing that flight-to-quality and amenity-rich locations continue to concentrate demand. Whether the 4.4M SF pipeline converts to signed leases will be the defining metric for the balance of 2026.

▼ NXP AND IBM ANCHOR LARGE-BLOCK LEASING ACTIVITY

TENANT	SF	SUBMARKET	TYPE
IBM	320,000	North/Domain	Sublease Occupancy
NXP Semiconductors	225,000	Northwest	New Lease
xAI	112,297	CBD	Sublease
NVIDIA	99,000	CBD	Occupancy
Procore	34,088	CBD	New Lease
Weaver	30,819	Downtown	New Lease

Large-Block Leasing Dominated by Semiconductor and AI Tenants. NXP Semiconductors' 225,000 SF commitment at Champion Office Park and IBM's 320,000 SF sublease occupancy at Domain 12 together represent over 545,000 SF of large-block activity — both concentrated in Austin's established tech corridors.

IBM's absorption of 320,000 SF of sublease inventory at Domain 12 is particularly notable: it reduces the overhang of second-generation sublease space that has weighed on North/Domain rents since 2023. NXP's direct lease in the Northwest submarket, by contrast, represents a new commitment from a semiconductor tenant — a sector that has been relatively absent from Austin's large-lease activity in recent quarters. Together, these transactions account for a disproportionate share of Q1's positive absorption readings in the CBD and Northwest. The concentration of large deals in a small number of transactions also means that Q1 2026 volume metrics are sensitive to a handful of occupier decisions rather than broad-based demand recovery.

▼ INVESTMENT SALES: THIN CLOSED VOLUME AGAINST A DEEP LISTING POOL

METRIC	VALUE	SOURCE
Closed Sales (Q1 2026)	27	Sigma
Active Sales Listings	307	Sigma
Avg Asking Price	\$398.41/SF	Sigma
Avg Days on Market	220.83 days	Sigma
Avg Asking Cap Rate	6.36%	Sigma
T12 Sales Volume	\$230M	Partners
T12 Avg Price	\$152/SF	Partners
T12 Avg Cap Rate	6.5%	Partners

307 Listings vs. 27 Closed Sales Reveals a Bid-Ask Standoff. With only 27 closed transactions against 307 active listings and an average of 221 days on market, Austin's office investment market reflects a significant gap between seller pricing expectations and buyer underwriting thresholds.

The spread between Sigma's average asking price of \$398.41/SF and Partners' trailing 12-month average closed price of \$152/SF — a differential exceeding \$246/SF — quantifies the bid-ask disconnect that is suppressing transaction velocity. Average days on market at 220.83 days indicates that assets are not clearing quickly even at asking prices. The 6.36% average asking cap rate versus 6.5% average closed cap rate suggests sellers are pricing modestly below where deals are actually clearing, though the thin closed volume limits the statistical reliability of either figure. The lone Q1 2026 reported sale — 1501 Volta Drive in Cedar Park at \$223/SF — falls well below the asking price average, consistent with the broader pattern of closed deals pricing at a discount to listed inventory.

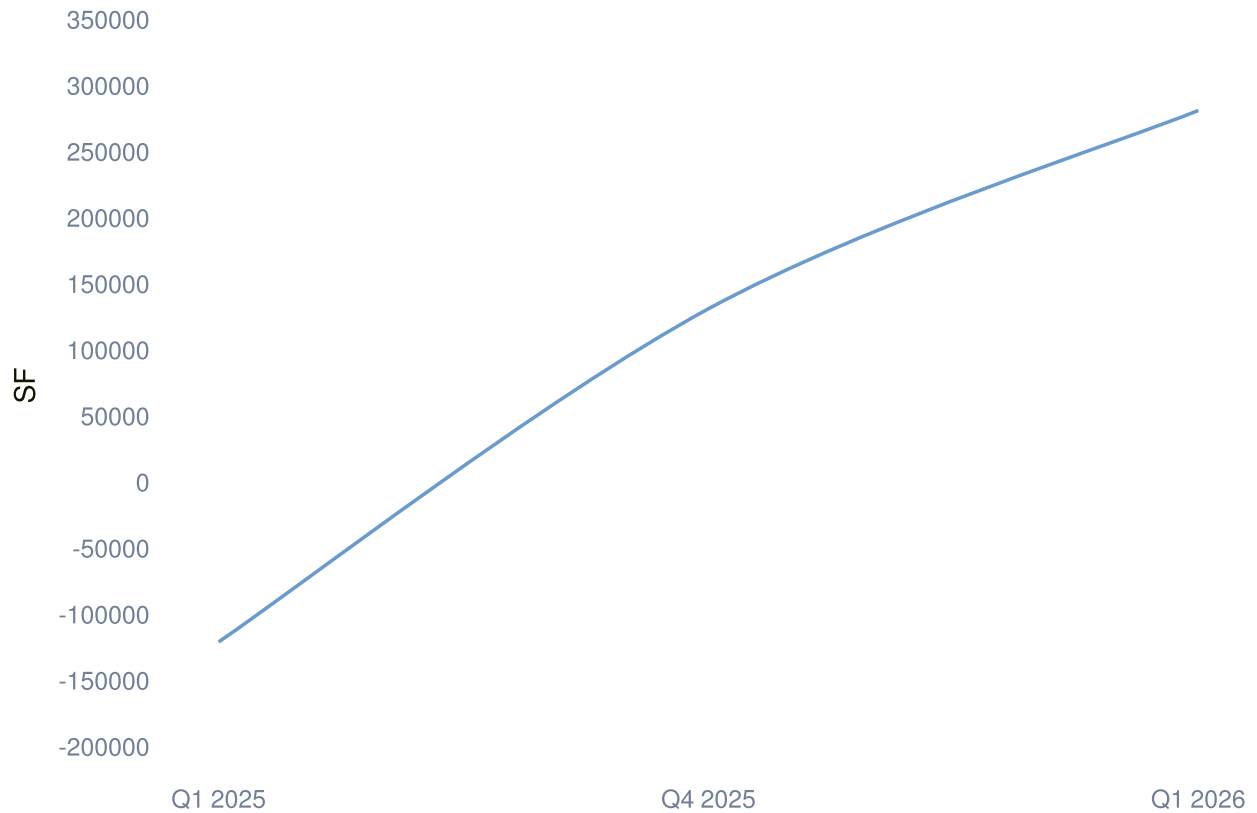
Availability Falling, Absorption Turning — Recovery Signal Emerging

<p>AVAILABILITY RATE (CBRE)</p> <p>28.3%</p> <p>↓ 210 bps vs Q4 2025 (30.4%)</p>	<p>NET ABSORPTION (CBRE)</p> <p>+283,000 SF</p> <p>↑ vs +133,000 SF in Q4 2025; reversal from -119,000 SF in Q1 2025</p>	<p>AVERAGE ASKING RENT (CBRE)</p> <p>\$49.38/SF/YR</p> <p>↑ 1.0% QoQ vs \$53.24 reported Q4 2025 (source variance noted)</p>
<p>PRIME ASKING RENT (CBRE)</p> <p>\$75.22/SF/YR</p> <p>+\$18.91/SF premium over Class A at \$56.31/SF</p>	<p>UNDER CONSTRUCTION (CBRE)</p> <p>756,000 SF</p> <p>↓ 55% vs 1,700,000 SF in Q2 2025 — pipeline contracting sharply</p>	<p>TRAILING 12-MO SALES VOLUME</p> <p>\$230,000,000</p> <p>Avg price \$152/SF; avg cap rate 6.5% (Partners Real Estate)</p>
<p>AVG CAP RATE</p> <p>6.5%</p> <p>↓ from 6.8% in Q3 2025; up from 5.9% in Q2 2025 (Infabode)</p>	<p>LEASING ACTIVITY</p> <p>1,400,000 SF</p> <p>↓ 2.4% QoQ — active demand base despite modest pullback (Partners/Savills)</p>	

Availability Drops 210 Basis Points Quarter-Over-Quarter. CBRE's Q1 2026 data shows Austin's total availability rate falling from 30.4% in Q4 2025 to 28.3% — the sharpest single-quarter improvement in the current cycle — while net absorption turned positive at 283,000 SF, doubling Q4 2025's 133,000 SF.

The 210-basis-point availability decline is the clearest signal yet that Austin's office market is absorbing its post-pandemic overhang. Two consecutive quarters of positive net absorption — 133,000 SF in Q4 2025 followed by 283,000 SF in Q1 2026 — mark a meaningful reversal from the -119,000 SF recorded in Q1 2025. With 1,400,000 SF of leasing activity reported by both Partners Real Estate and Savills, underlying demand remains substantive even as headline vacancy figures across sources span a wide 22.4%–28.3% range. That divergence reflects differing inventory definitions and sublease treatment rather than contradictory market conditions. The construction pipeline's contraction — from 1,700,000 SF in Q2 2025 to 756,000 SF in Q1 2026 — further limits near-term supply additions, a dynamic that could sustain the absorption trend if demand holds.

Net Absorption Trend (SF)



Source Divergence and What It Reveals About Market Structure

▼ WHY DO VACANCY FIGURES SPAN 22.4% TO 28.3%?

SOURCE	VACANCY / AVAILABILITY	NET ABSORPTION	ASKING RENT
CBRE	28.3% (availability)	+283,000 SF	\$49.38/SF
Cushman & Wakefield	27.1%	-186,085 SF	\$49.56/SF
Colliers	22.4%	-166,129 SF	\$45.45/SF
Partners Real Estate	23.3%	+1,100,000 SF	\$45.02/SF
Savills	25.1% (availability)	Not reported	\$46.70/SF

Methodology Differences Drive the Range. CBRE and Savills report total availability (including sublease and shadow space), while Colliers and Partners report direct vacancy — explaining the 4–6 percentage point spread at the top versus bottom of the range.

The absorption divergence is equally striking: CBRE reports +283,000 SF while Cushman & Wakefield reports -186,085 SF for the same quarter. These figures are not necessarily contradictory — CBRE's availability-based methodology captures space

returning to market differently than vacancy-based approaches. Partners Real Estate's +1,100,000 SF figure likely incorporates a broader leasing velocity measure rather than traditional net absorption. Market participants should anchor to the directional trend — two sources show improvement, two show modest negative absorption — rather than treating any single figure as definitive. The consistent thread across all sources is that sublease availability, ranging from 2.3% (Partners) to 3.4% (Colliers), remains a structural drag on headline metrics.

▼ CLASS-TIER RENT STRATIFICATION: PRIME COMMANDS A 52% PREMIUM OVER CLASS B



Flight-to-Quality Pricing Gap Widens. CBRE's Prime segment commands \$75.22/SF — a \$38.49/SF premium over Class B at \$36.73/SF — while CBD Class A rents reported by Cushman & Wakefield (\$68.61/SF) and Savills (\$67.30/SF) confirm that top-tier assets in central locations are sustaining outsized pricing power.

The rent stratification data across sources tells a consistent story despite headline figure variance. Class A rents cluster between \$52.40/SF (Savills) and \$56.31/SF (CBRE), with Colliers (\$54.52/SF) and Partners (\$53.14/SF) falling within that band. Class B rents are similarly aligned across Colliers (\$37.53/SF), Partners (\$36.59/SF), and CBRE (\$36.73/SF). The 52% spread between Prime and Class B reflects tenants' willingness to

pay for amenity-rich, well-located space — a dynamic that concentrates leasing activity at the top of the quality spectrum while leaving commodity product under continued pressure. As the construction pipeline contracts, the scarcity of new Prime supply could sustain this pricing differential into 2027.

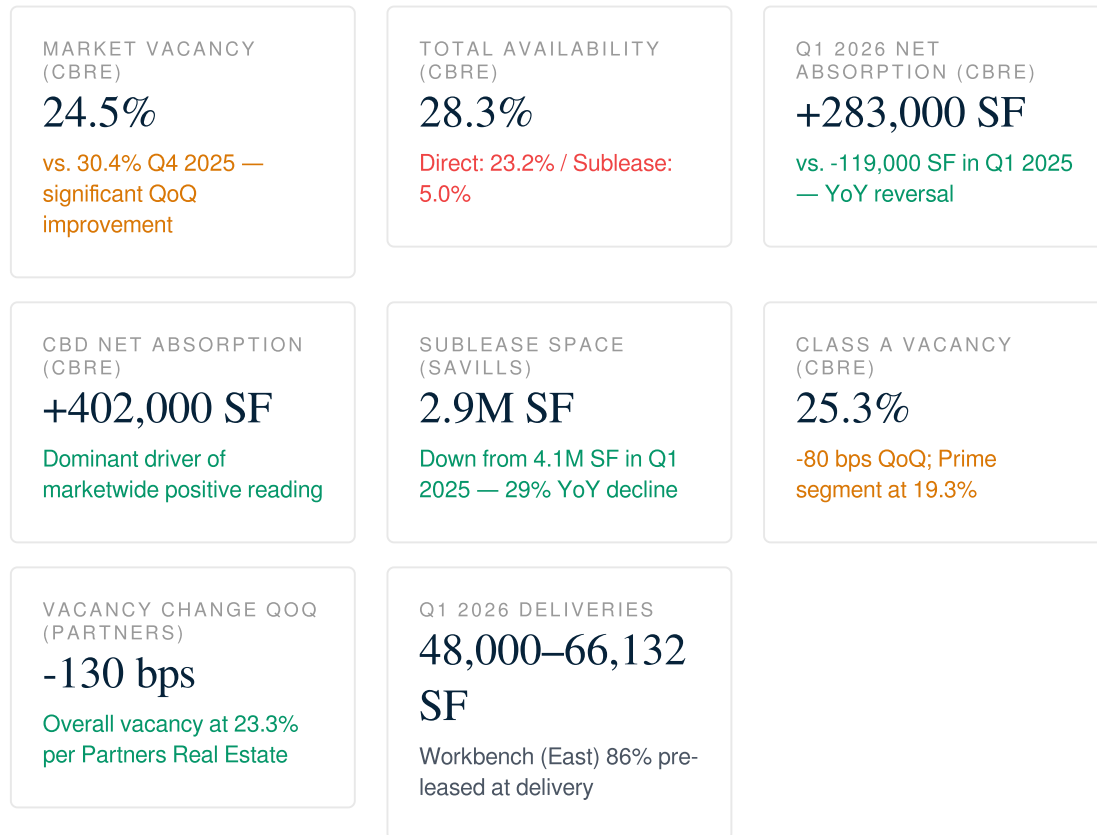
▼ CAPITAL MARKETS: LONG DAYS ON MARKET SIGNAL SELECTIVE BUYER ACTIVITY

METRIC	VALUE	SOURCE
Trailing 12-Mo Sales Volume	\$230,000,000	Partners Real Estate
Average Transaction Price	\$152/SF	Partners Real Estate
Average Cap Rate	6.5%	Partners Real Estate
Asking Cap Rate (Platform)	6.36%	Sigma
Asking Price (Platform)	\$398.41/SF	Sigma
Active Sales Listings	307	Sigma
Avg Days on Market	220.83 days	Sigma
Closed Sales (Q1 2026)	27	Sigma

Bid-Ask Spread Remains Wide. Sigma platform data shows asking prices averaging \$398.41/SF against closed transaction averages of \$152/SF — a gap that, combined with 220+ average days on market, reflects a market where sellers have not yet fully repriced to meet buyer return requirements at current cap rates.

The capital markets picture is one of constrained but present activity. With only 27 closed sales against 307 active listings, transaction velocity remains low — a ratio that points to selective buyer underwriting rather than broad market paralysis. Cap rates have moved from 5.9% in Q2 2025 to 6.5% in Q1 2026 (Infabode/Partners), reflecting the repricing that has occurred, though the spread between asking and closed prices suggests further adjustment may be needed to unlock the full listing inventory. The 4.4M SF of active demand documented elsewhere in this report provides a fundamental demand floor that could support transaction activity as the availability trend continues to improve.

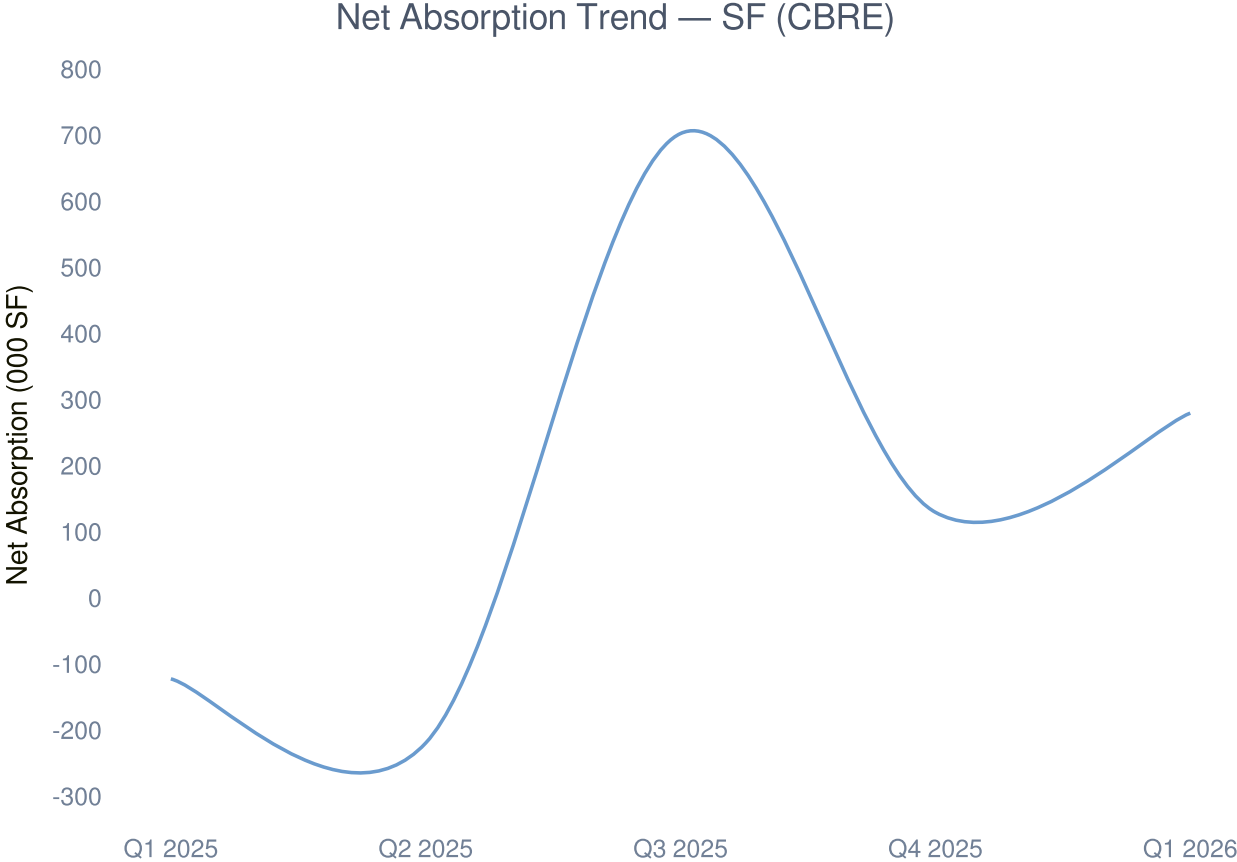
Selective Recovery Masks Broad Occupancy Erosion



CBD and Northwest Drive Positive Absorption While Suburban Submarkets Contract. CBRE recorded +402,000 SF of net absorption in the CBD and +93,000 SF in Northwest during Q1 2026, while Far Northwest (-59,000 SF), Southwest (-48,000 SF), and Northeast (-44,000 SF) all posted occupancy losses — a pattern consistent with tenants consolidating into higher-quality, amenity-rich locations.

The CBD's outsized absorption was anchored by a cluster of high-profile occupancy events: IBM took 320,000 SF of sublet space at Domain 12, xAI occupied 112,297 SF at Seaholm Power, and NXP Semiconductors committed to 225,000 SF at Champion Office Park in Northwest. These transactions reflect a flight-to-quality dynamic where technology and semiconductor tenants are absorbing well-located, large-block sublease inventory rather than signing new direct leases — a distinction that compresses sublease availability without necessarily tightening direct vacancy. Savills documented this compression directly: available sublease space fell from 4.1M SF in Q1 2025 to 2.9M SF in Q1 2026, a 1.2M SF reduction that accounts for a meaningful share of the apparent vacancy improvement.

The divergence in brokerage reporting — CBRE at +283,000 SF versus Cushman & Wakefield at -186,085 SF and Colliers at -166,129 SF — reflects methodological differences in how the 3M campus owner-user conversion (approximately 1.2–1.23M SF) is treated. Partners Real Estate, which reported +1.1M SF of absorption, explicitly attributed the bulk of that figure to the SB Energy campus conversion. Excluding that event, underlying demand remained modestly negative to flat across most measurement frameworks. The market's recovery signal is real but narrow, concentrated in a handful of large-block transactions in two submarkets while the broader suburban base continues to shed occupancy.



Submarket Vacancy Divergence Reveals a Two-Speed Market

▼ SUBMARKET VACANCY SNAPSHOT — Q1 2026

SUBMARKET	CBRE VACANCY	COLLIERS VACANCY
Northeast	46.7%	34.4%
East	41.9%	34.5%
North	30.1%	14.7%
CBD	28.8%	25.7%
Far Northwest	27.8%	23.3%
Northwest	19.2%	30.5%
Central	19.4%	9.1%
Southeast	19.3%	13.9%
Southwest	15.0%	14.3%
Round Rock	13.4%	6.6%
West Central	—	4.4%

Northeast and East Submarkets Carry Structural Vacancy Above 34%. Both CBRE and Colliers agree that Northeast and East vacancy exceeds 34%, with CBRE placing Northeast at 46.7% — the highest reading in the market — signaling that distress in these corridors is not a measurement artifact but a persistent structural condition.

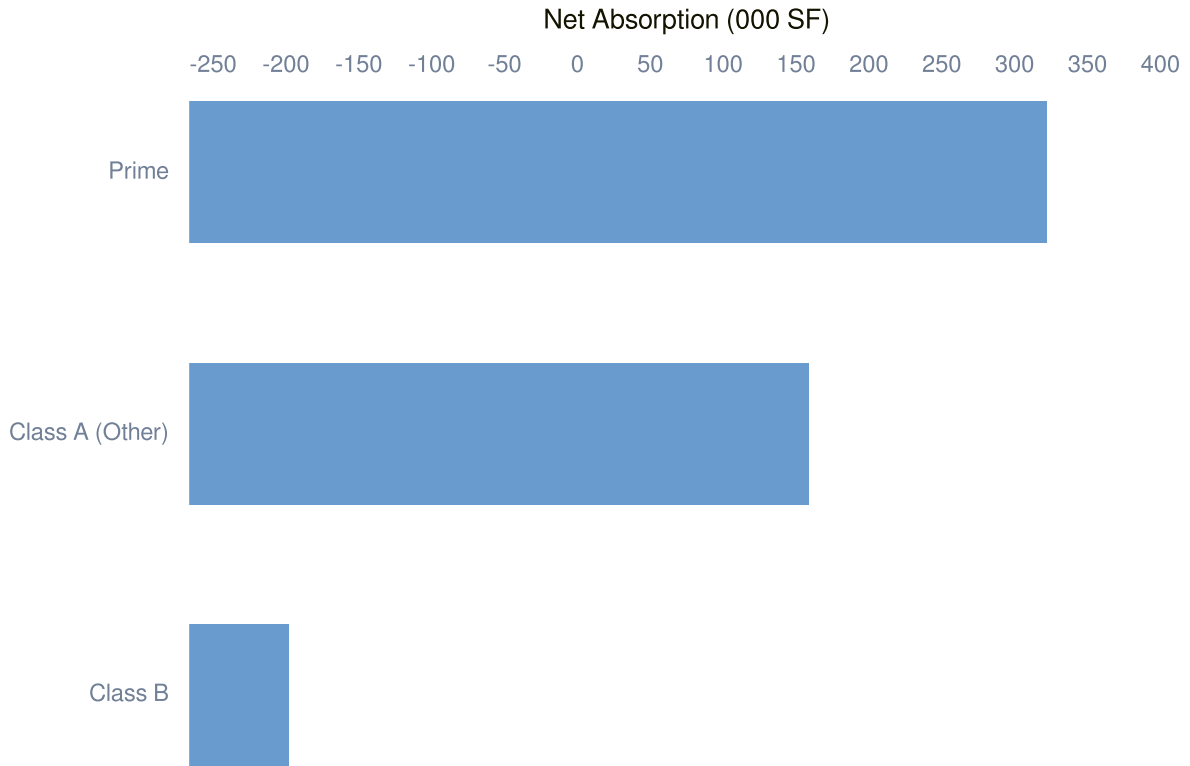
The Northeast and East submarkets share a common profile: heavy exposure to tech-sector tenants who over-leased during the 2021–2022 expansion cycle and have since consolidated or exited. With total availability reaching 51.7% in Northeast per CBRE, these corridors face a multi-year re-absorption challenge. By contrast, Round Rock (6.6%–13.4% vacancy), West Central (4.4%), and Central (9.1%–19.4%) represent the market's tightest nodes, where limited inventory and proximity to established employment centers have insulated occupancy. The 33-percentage-point spread between the tightest and most distressed submarkets underscores that Austin's office market is not recovering uniformly — it is bifurcating.

CLASS	CBRE VACANCY	COLLIERS VACANCY	CBRE NET ABSORPTION
Prime	19.3%	—	+322,000 SF
Class A	25.3%	26.6%	+481,000 SF
Class B	22.8%	19.7%	-198,000 SF
Class C	—	6.5%	—

Prime and Class A Assets Absorbing Positively While Class B Sheds Occupancy. CBRE recorded +481,000 SF of Class A net absorption and -198,000 SF for Class B in Q1 2026, a divergence that quantifies the flight-to-quality dynamic reshaping Austin's tenant base.

The Class A absorption figure is heavily influenced by the large-block transactions noted above — IBM, NXP, and xAI collectively account for over 600,000 SF of occupancy events, most of which landed in Class A or Prime product. Class B's -198,000 SF reading (CBRE) and -107,469 SF (Colliers) reflect tenants trading up or contracting, leaving secondary product with rising vacancy despite lower headline rates. Class C, at just 6.5% vacancy per Colliers, benefits from its small inventory base and limited new supply exposure. Savills reported Class A availability declining 440 basis points year-over-year to 27.7%, suggesting that the upper tier is absorbing its excess supply faster than the broader market — a trend that, if sustained, could begin to tighten conditions for large-block Class A requirements over the next several quarters.

Q1 2026 Class Net Absorption — SF (CBRE)



▼ SUBLEASE COMPRESSION AND REMAINING OVERHANG

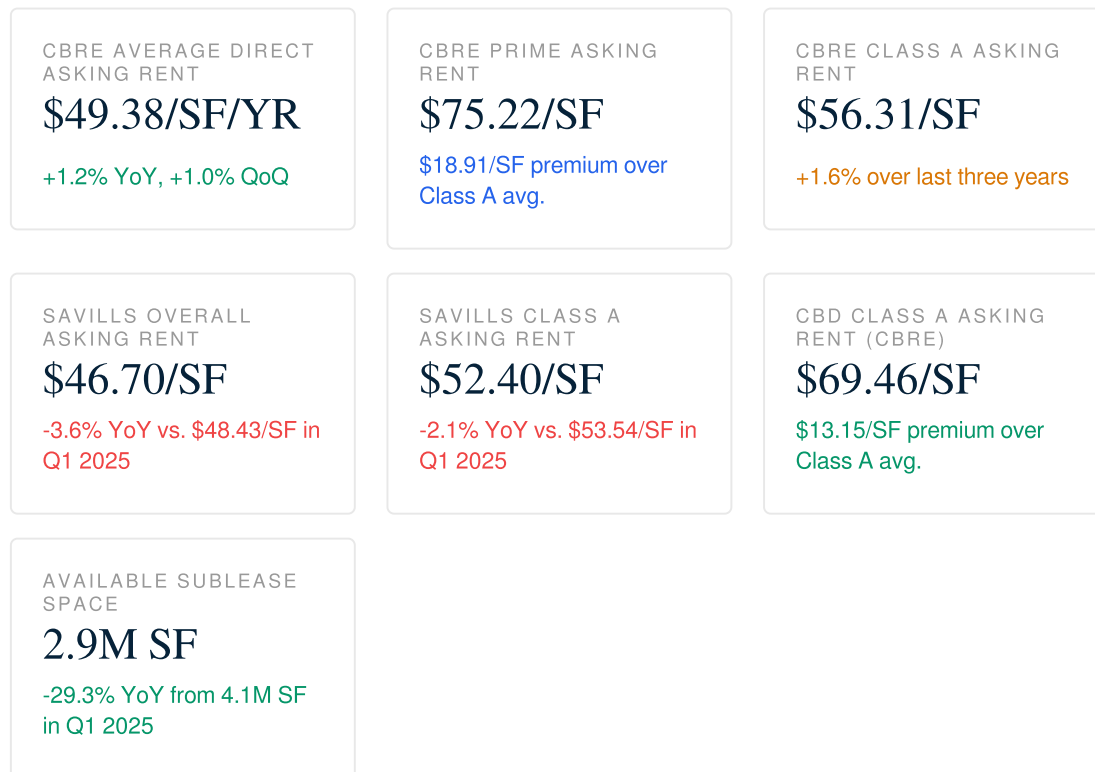
METRIC	VALUE	PERIOD	SOURCE
Available Sublease Space	2.9M SF	Q1 2026	Savills
Available Sublease Space	4.1M SF	Q1 2025	Savills
Sublease Vacancy Rate	2.3%	Q1 2026	Partners
Sublease Availability Rate	5.0%	Q1 2026	CBRE
Sublet Vacant Space	3,328,811 SF	Q1 2026	Cushman & Wakefield
Sublet Share of Available Space	18.4%	Q1 2026	Cushman & Wakefield

Sublease Inventory Contracted 29% Year-Over-Year, But 2.9M–3.3M SF Remains in Play. The 1.2M SF reduction in available sublease space between Q1 2025 and Q1 2026 is the single most constructive vacancy signal in the data set — driven by large-block occupancy events rather than lease expirations returning space to direct inventory.

The sublease compression is real, but the remaining overhang — ranging from 1.9M SF (Partners) to 3.3M SF (Cushman & Wakefield) depending on methodology — continues to compete directly with direct landlord space, particularly in the CBD where CBRE

reports sublease availability at 7.5%. Northeast (14.2%) and Southeast (13.0%) carry the highest sublease availability rates by submarket, compounding already-elevated direct vacancy in those corridors. The pace of sublease absorption will be a key indicator of whether the market's recovery broadens beyond the handful of large-block transactions that defined Q1 2026.

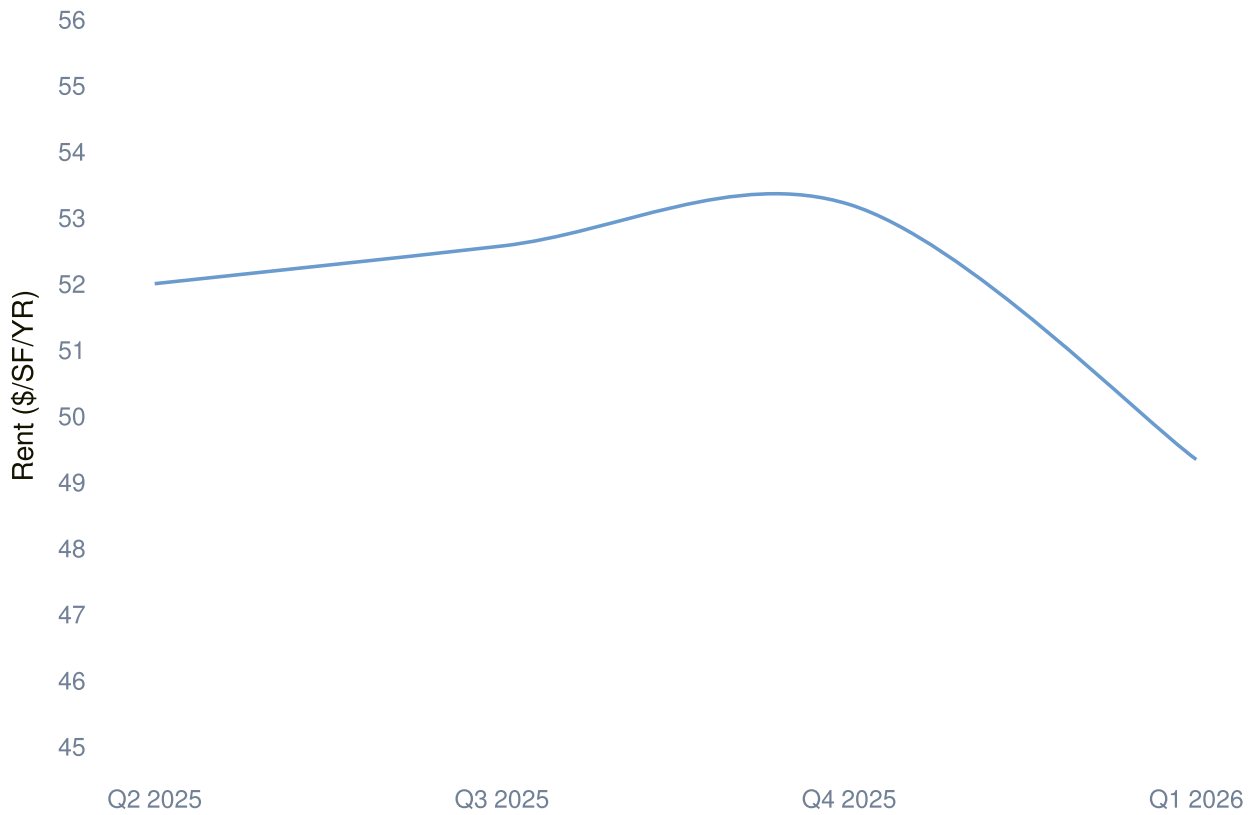
Concession-Driven Compression Masks Headline Stability



Landlords Competing on Concessions, Not Rate. Savills noted that landlords continued using elevated concession packages to remain competitive in Q1 2026, with effective rents remaining under pressure even as headline asking rates held relatively flat across most sources.

The divergence between CBRE's reported +1.2% YoY asking rent growth and Savills' -3.6% YoY reading is not a data conflict — it reflects a market where headline rates are being sustained through aggressive back-end concessions rather than genuine pricing power. With total availability ranging from 23.5% (Colliers) to 28.3% (CBRE), landlords lack the occupancy leverage to push face rents higher, so competition shifts to tenant improvement allowances and free rent periods that suppress effective yields without visibly moving asking rates. The 29.3% YoY decline in available sublease space — from 4.1M SF to 2.9M SF — does reduce one competitive pressure vector, but direct vacancy remains the dominant constraint on landlord pricing. As the 4.4M SF of active demand documented elsewhere in this report works through the leasing pipeline, the balance between concession depth and face-rate stability will be the key pricing dynamic to monitor through the remainder of 2026.

CBRE Asking Rent Trend (\$/SF/YR)



Submarket and Class Rent Stratification Reveals Pricing Tiers

▼ CLASS SEGMENTATION: A WIDE SPREAD BETWEEN PRIME AND COMMODITY SPACE

CLASS	CBRE	COLLIERS	PARTNERS RE
Prime	\$75.22/SF	—	—
Class A	\$56.31/SF	\$54.52/SF	\$53.14/SF
Class B	\$36.73/SF	\$37.53/SF	\$36.59/SF
Class C	—	\$31.67/SF	—

Class A Commands a ~\$18/SF Premium Over Class B. Across CBRE, Colliers, and Partners Real Estate, the Class A-to-Class B spread in Q1 2026 ranged from \$16.59/SF to \$18.73/SF, reflecting sustained flight-to-quality demand even in a high-vacancy environment.

The Class A-to-B spread of roughly \$17–19/SF is notable given that three-year Class A rent growth reached only 1.6% and Class B growth a near-flat 0.1% (CBRE). This suggests the spread is being maintained not by Class A appreciation but by Class B

stagnation — a pattern consistent with a market where quality-seeking tenants are consolidating into better space without meaningfully bidding up its price. CBRE's Prime tier at \$75.22/SF stands 34% above the Class A average, signaling that a thin layer of trophy assets retains genuine pricing power while the broader Class A pool competes on concessions.

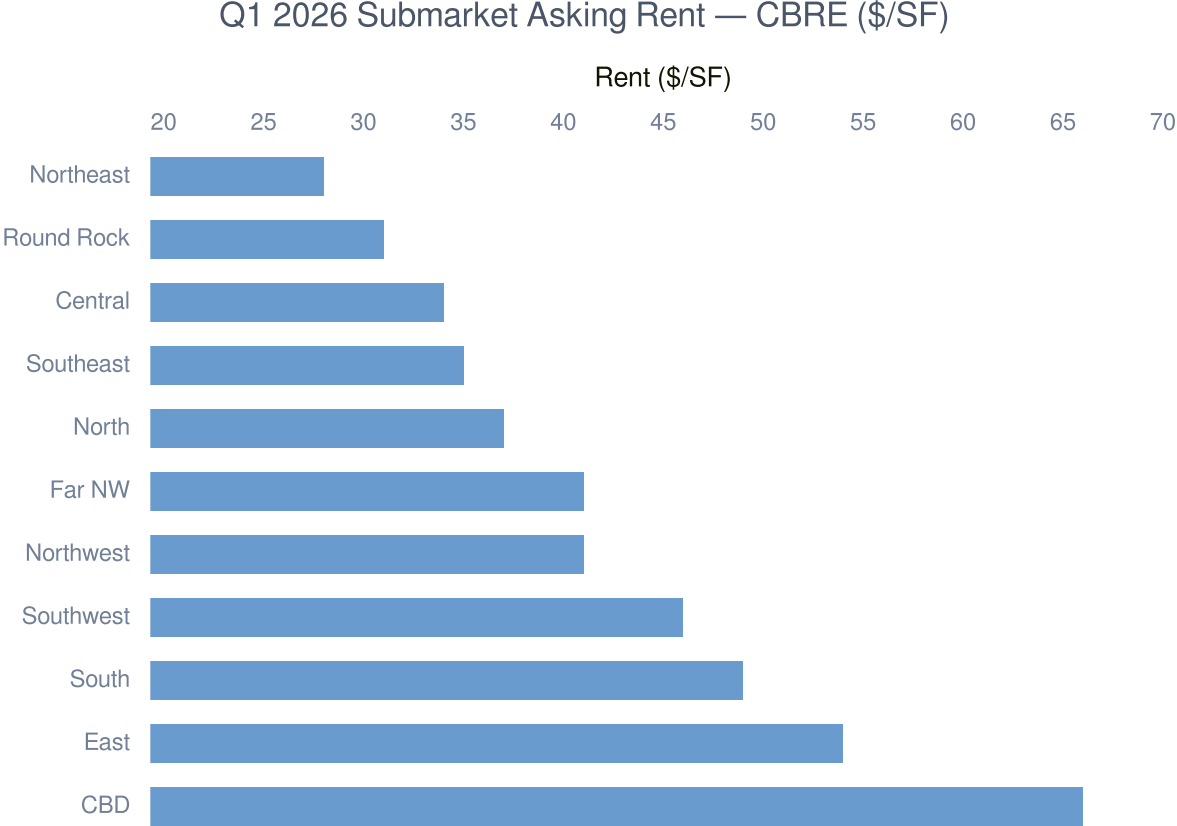
▼ **SUBMARKET RENTS: CBD ANCHORS THE TOP, OUTER MARKETS TRAIL BY 60%**

SUBMARKET	CBRE	COLLIERS	SAVILLS
CBD	\$65.81/SF	\$61.26/SF	\$64.50/SF
West Central	—	\$55.52/SF	\$59.83/SF
East	\$53.88/SF	\$47.66/SF	\$48.98/SF
South	\$48.78/SF	\$46.89/SF	\$42.82/SF
Southwest	\$45.80/SF	\$43.55/SF	\$43.84/SF
Northwest	\$41.07/SF	\$38.77/SF	\$41.17/SF
North/Domain	\$37.24/SF	\$42.13/SF	\$44.57/SF
Southeast	\$34.63/SF	\$40.85/SF	\$33.17/SF
Central	\$33.74/SF	\$33.34/SF	\$31.35/SF
Round Rock	\$30.89/SF	\$32.20/SF	\$31.23/SF
Northeast	\$27.53/SF	\$28.21/SF	\$37.80/SF

CBD Asking Rents Run 60%+ Above Outer-Market Levels. CBRE's CBD asking rent of \$65.81/SF is 139% of the market-wide average of \$49.38/SF and more than double the \$27.53/SF reported for the Northeast submarket — a spread that underscores the bifurcated nature of Austin's office pricing.

CBD Class A rents show tight cross-source consensus — CBRE at \$69.46/SF, Cushman & Wakefield at \$68.61/SF, and Savills at \$67.30/SF — suggesting genuine price discovery at the top of the market. The West Central submarket, reported by both Colliers (\$55.52/SF) and Savills (\$59.83/SF), emerges as a secondary premium corridor. Outer

submarkets including Round Rock (\$30–32/SF) and Northeast (\$27–28/SF per CBRE and Colliers) trade at deep discounts to the metro average, reflecting structural demand gaps that elevated concessions alone are unlikely to close in the near term.



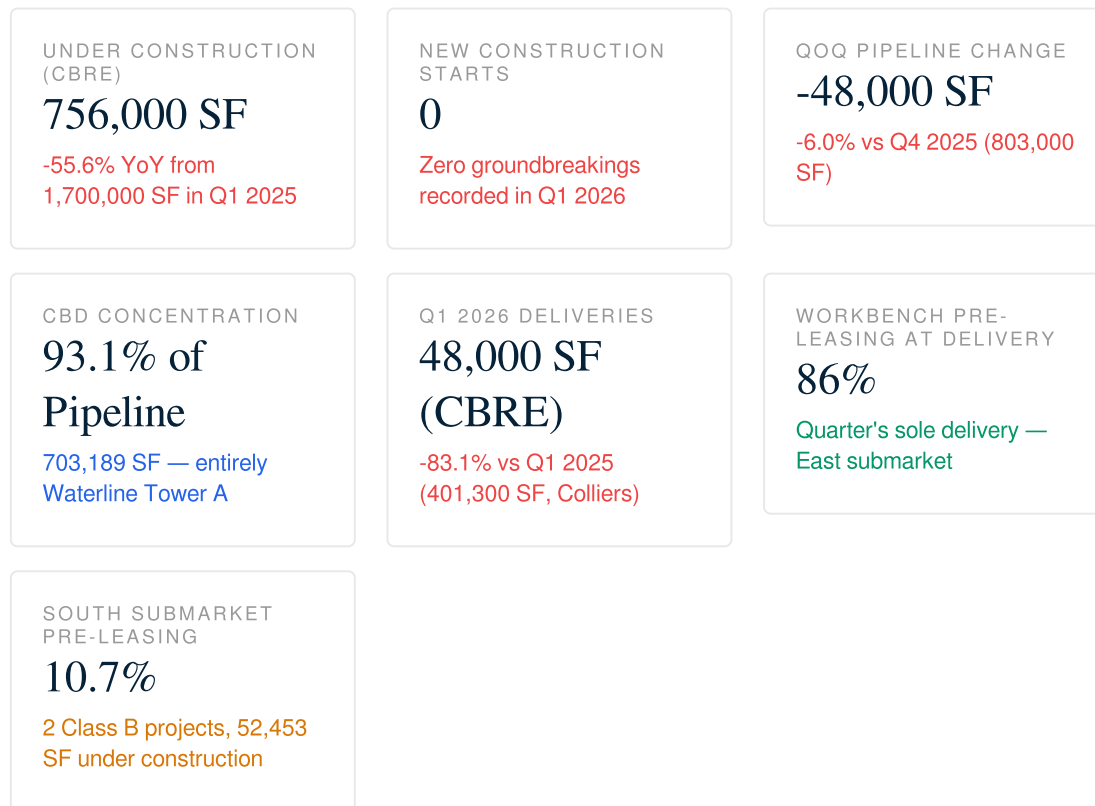
▼ SOURCE DIVERGENCE: WHY ASKING RENT FIGURES VARY ACROSS BROKERS

SOURCE	Q1 2026 OVERALL ASKING RENT	BASIS
CBRE	\$49.38/SF	FSG, direct
Cushman & Wakefield	\$49.56/SF	All-class
Savills	\$46.70/SF	FSG
Colliers	\$45.45/SF	FSG, direct
Partners Real Estate	\$45.02/SF	Full-service
Sigma	\$24.88/SF	Listed rate

Sigma's \$24.88/SF Reflects Listing-Level Data, Not Institutional Comps. Sigma's asking rate — derived from 759 lease listings averaging 271.5 days on market — likely captures smaller, lower-quality, or longer-stale availabilities that institutional brokers exclude from their tracked inventory.

The \$4.54/SF spread between the highest (CBRE/Cushman at ~\$49.38–49.56/SF) and lowest institutional broker readings (Partners at \$45.02/SF) reflects differences in inventory coverage, lease structure assumptions, and submarket weighting rather than contradictory market conditions. Colliers' sequential data — \$44.91/SF in Q1 2025, \$46.20/SF in Q4 2025, and \$45.45/SF in Q1 2026 — provides the clearest apples-to-apples trend line and shows a modest QoQ pullback of \$0.75/SF following a prior-quarter uptick. Taken together, the institutional broker consensus points to a market-wide asking rent range of approximately \$45–50/SF, with directional signals ranging from marginally positive (CBRE) to modestly negative (Savills, Colliers QoQ), consistent with a market in pricing equilibrium rather than expansion.

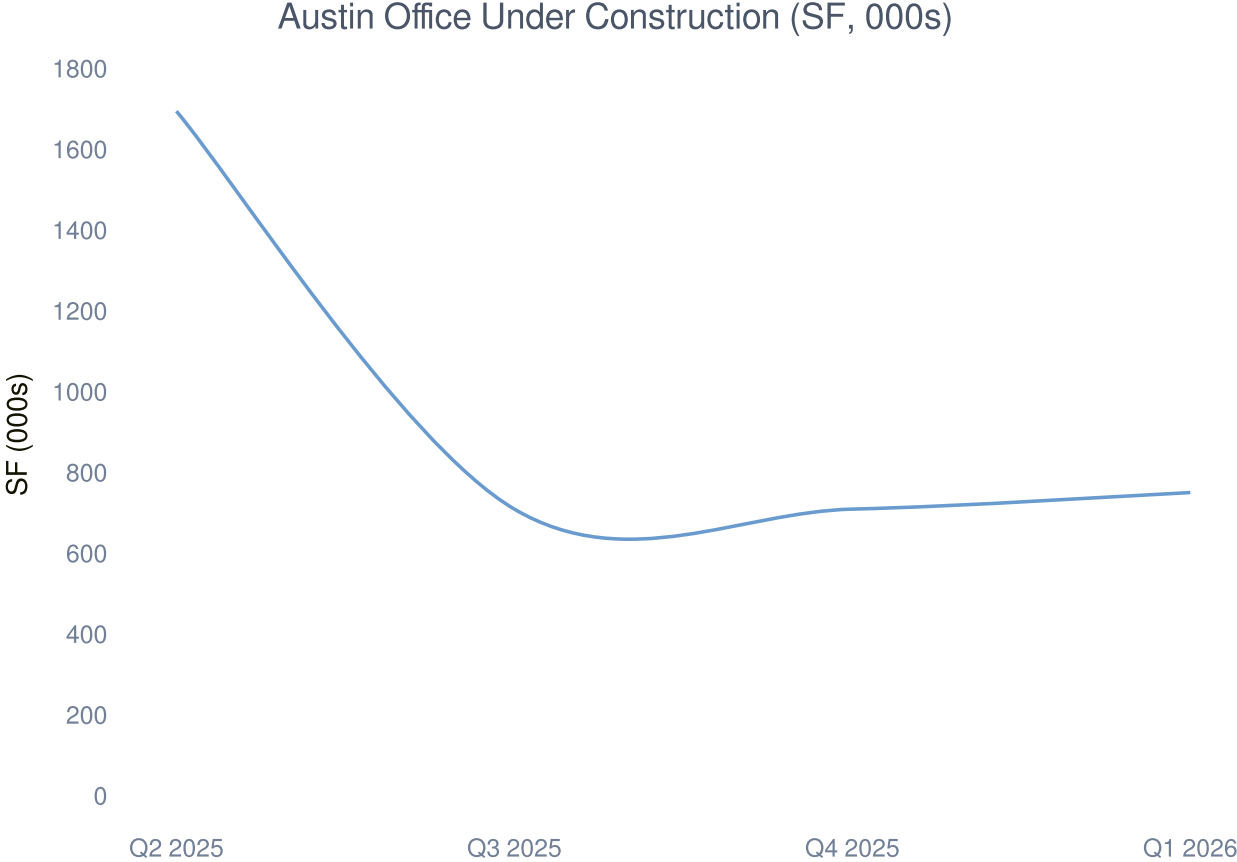
Pipeline Collapse Primes Future Supply Constraint



Austin's Office Pipeline Has Halved in Twelve Months. CBRE recorded zero new construction starts in Q1 2026, and total under-construction volume fell 55.6% year-over-year — from 1,700,000 SF in Q1 2025 to 756,000 SF — marking the most constrained development environment the market has seen in the current cycle.

The absence of new groundbreakings in Q1 2026 is not an isolated data point — it is the culmination of a sustained developer retreat that began accelerating in mid-2025. CBRE's trend series shows the pipeline dropped sharply from 1,700,000 SF in Q2 2025 to approximately 715,000 SF by Q3 2025, a level that held through Q4 before edging up marginally to 756,000 SF in Q1 2026. That stabilization, however, reflects project completions cycling out rather than new supply entering. With no starts recorded, the pipeline's remaining volume is entirely composed of projects already under way — most significantly Waterline Tower A in the CBD, which alone accounts for 93.1% of CBRE's tracked construction. The quarter's only delivery, Workbench in the East submarket at 48,000 SF, arrived 86% pre-leased, a signal that well-located, purpose-built product continues to attract committed

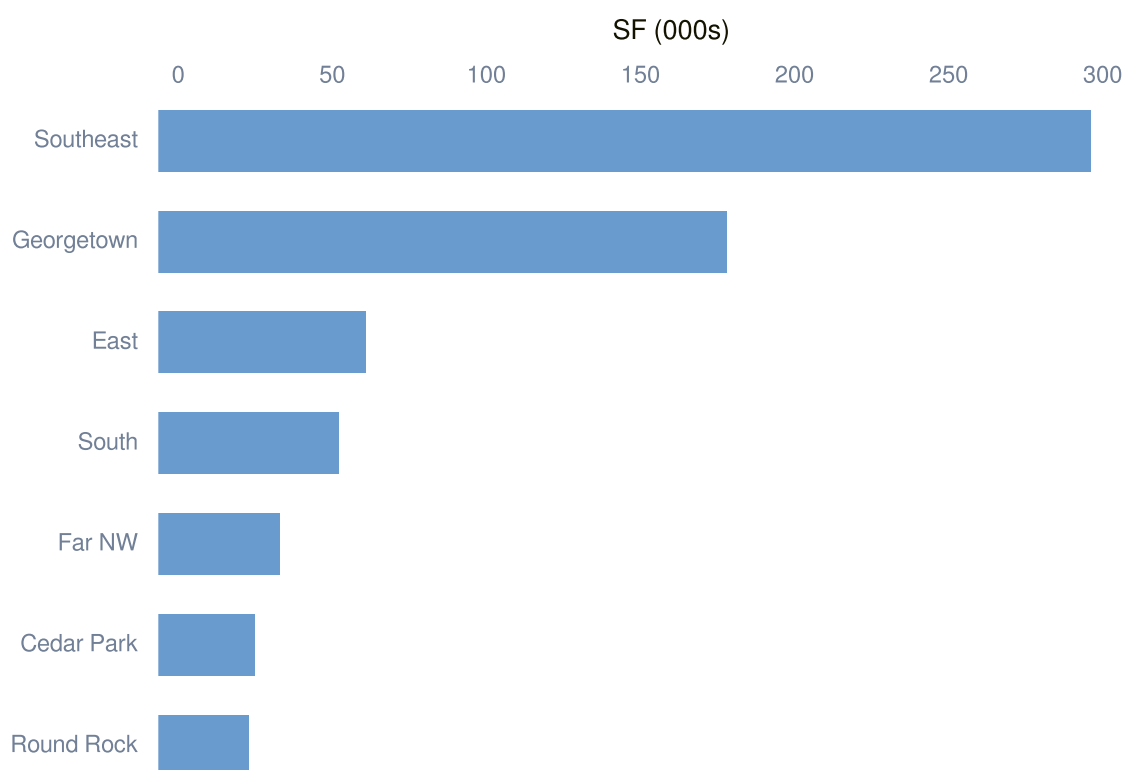
tenants even as broader market vacancy remains elevated. As existing projects deliver over the next several quarters and no replacement supply enters the pipeline, the structural conditions for a tighter future supply environment are forming.



Pipeline Composition and Submarket Distribution

▼ WHERE IS CONSTRUCTION CONCENTRATED?

Under Construction by Submarket — Q1 2026 (SF, Colliers)



CBD Accounts for Zero SF Under Construction in Colliers' Submarket Breakdown. Despite CBRE attributing 703,189 SF to the CBD via Waterline Tower A, Colliers' submarket table records 0 SF under construction in the CBD — a source-variant discrepancy that reflects differing submarket boundary definitions and project classification methodologies across brokerages.

Colliers' submarket data places the bulk of active construction outside the traditional CBD core, with the Southeast submarket leading at 295,978 SF, followed by Georgetown at 177,781 SF. These suburban and suburban-adjacent concentrations reflect projects initiated during the 2022–2024 development wave, now approaching the tail end of their construction timelines. CBRE's competing view — that 93.1% of the pipeline sits in the CBD via Waterline Tower A — underscores how a single large project can dominate market-level statistics. Both readings confirm that construction activity is highly concentrated, with the vast majority of submarkets recording zero active development. This geographic narrowing of supply limits near-term delivery risk to a handful of nodes while leaving most submarkets insulated from new competition.

▼ CLASS COMPOSITION OF THE ACTIVE PIPELINE

CLASS	UNDER CONSTRUCTION (COLLIERS)	UNDER CONSTRUCTION (CBRE)
Class A	386,978 SF	703,000 SF
Class B	281,169 SF	52,000 SF
Class C	0 SF	0 SF

Class A Dominates Both Brokerage Readings of the Pipeline. Regardless of the source-level variance in total volume, Class A product accounts for the majority of active construction — confirming that developers have concentrated remaining commitments in the highest-quality tier.

The class-level split reveals a market where speculative Class B development has effectively ceased. CBRE's data attributes nearly all active construction to Class A, with only 52,000 SF of Class B remaining — the two low-pre-leased projects in the South submarket at 10.7% committed. Colliers' broader count shows a larger Class B component at 281,169 SF, but even under that reading, Class C activity is zero. The concentration of remaining pipeline in Class A aligns with the broader flight-to-quality dynamic visible in leasing data: tenants are gravitating toward premium space, and developers who broke ground during the prior cycle targeted that demand. As these projects deliver, the Class B and C segments will face no new competitive supply pressure from construction — a dynamic that could stabilize rents in those tiers even as vacancy remains elevated.

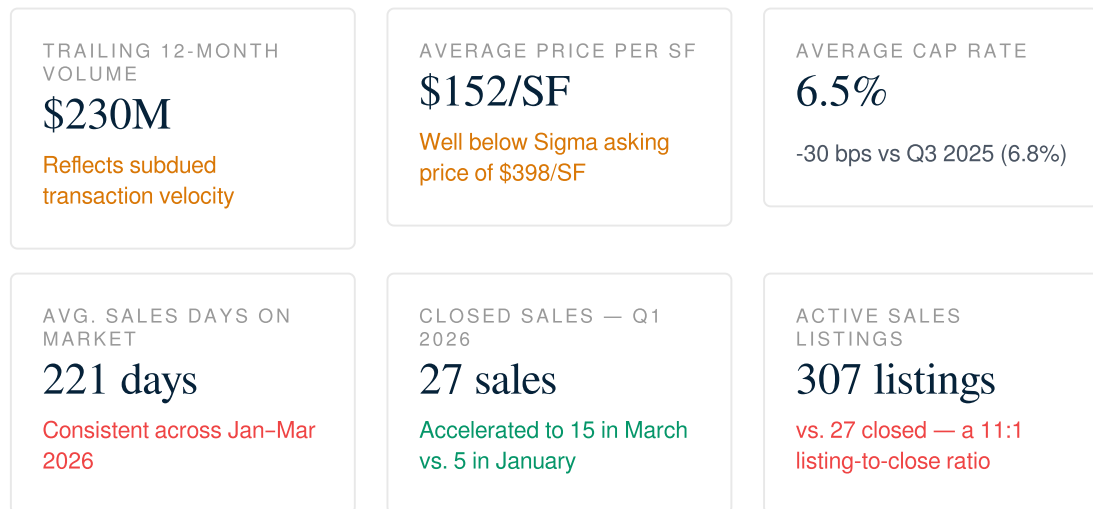
▼ DELIVERY TREND AND HISTORICAL CONTEXT

QUARTER	DELIVERIES (SF)	NET ABSORPTION (SF)
Q1 2025	401,300	-249,200
Q4 2025	22,800	-45,000
Q1 2026	48,000–66,132	-166,129 to +283,000

Q1 2025 Delivered Nearly Nine Times More Space Than Q1 2026. Colliers recorded 401,300 SF of new supply in Q1 2025 against negative net absorption of -249,200 SF — a supply-demand mismatch that contributed directly to the vacancy pressure now motivating developer restraint.

The delivery trajectory tells a clear story: a heavy supply wave in early 2025 landed into a market absorbing space at a negative rate, accelerating vacancy expansion. Developers responded by pulling back sharply — Q4 2025 saw only 22,800 SF delivered, and Q1 2026 registered between 48,000 and 66,132 SF depending on the source, with Partners Real Estate recording zero deliveries entirely. With no new starts in Q1 2026 and the pipeline at a multi-year low, the forward delivery schedule will thin considerably over the next four to six quarters. The 901 S Congress Ave mass-timber project by Related Companies remains a post-period wildcard, revised back to a five-story concept with no confirmed square footage or timeline — its resolution will be a signal of whether developer appetite for speculative office is beginning to return.

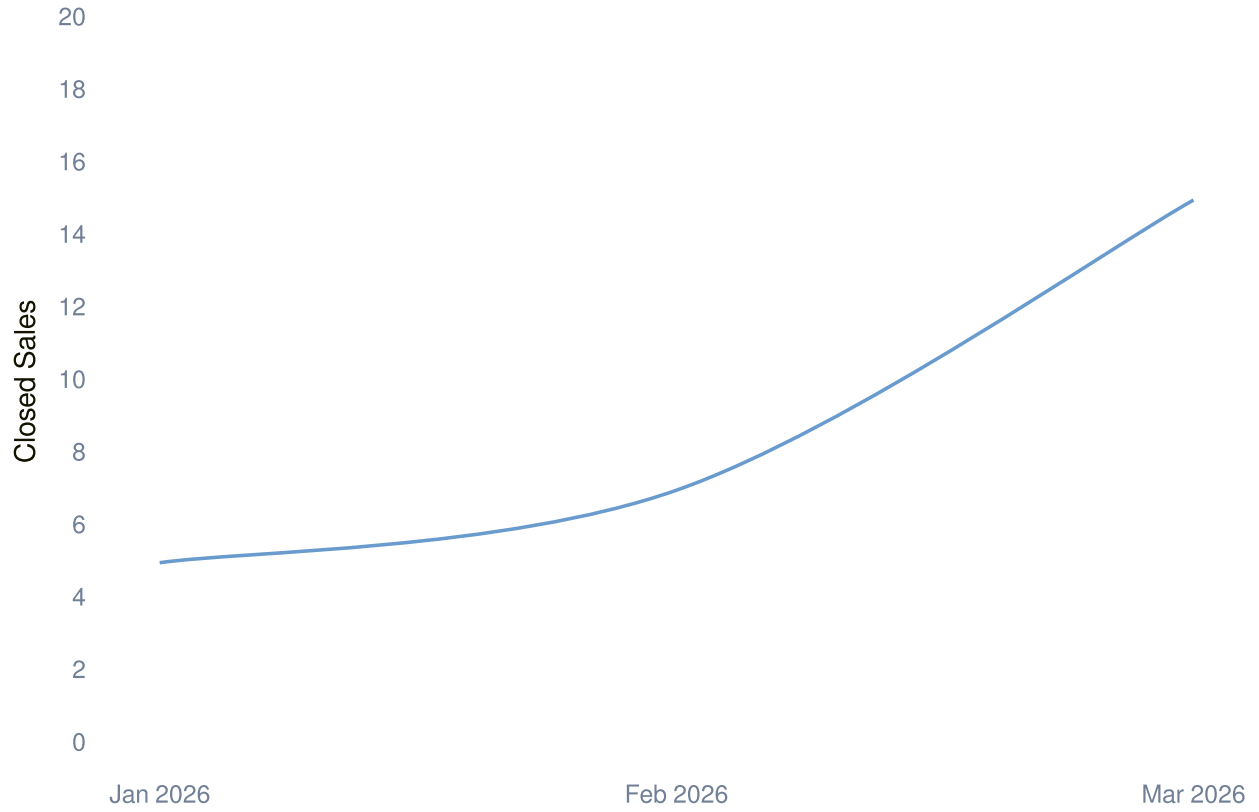
Caution Dominates: Thin Volume, Long Marketing Times



SB Energy's Owner-User Conversion of the Former 3M Campus Removed Over 1.2M SF From the Investment Market. The acquisition of the ~1.1–1.2 million SF campus at 6801 River Place Boulevard in Q1 2026 was completed at an undisclosed price, reclassifying one of Austin's largest office assets from vacancy to owner-user status in a single transaction.

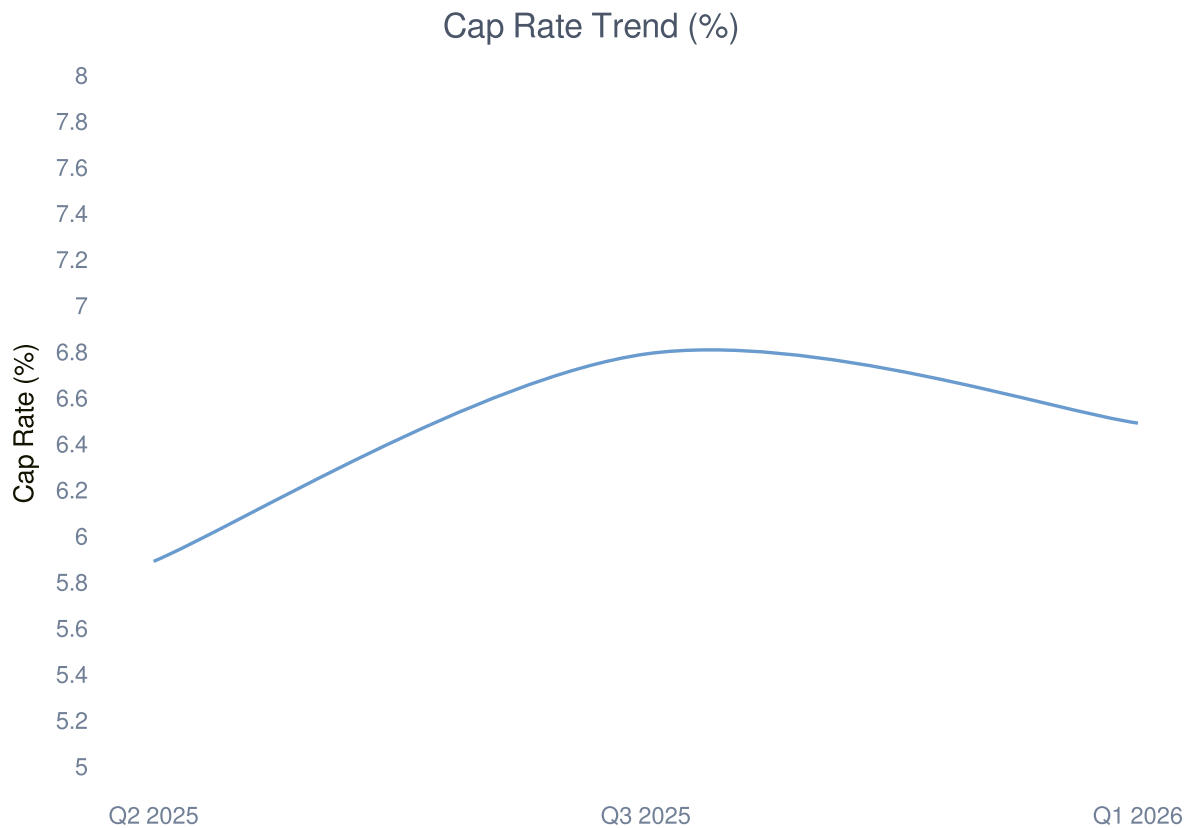
The SB Energy campus conversion is the defining transaction of Q1 2026 — not because it generated disclosed investment metrics, but because of its scale relative to the broader market. At roughly 1.1–1.2 million SF, this single asset represented a volume of space that dwarfs the quarter's entire reported closed-sale count of 27 transactions. Its removal from vacancy carries significant implications for how Austin's office inventory statistics are interpreted going forward. The absence of a disclosed sale price, cap rate, or price per SF means the deal contributes no pricing signal to the market — a notable gap given its size. With 307 active listings competing for just 27 closings in Q1, the 221-day average marketing time underscores that buyer conviction remains selective. The late-quarter acceleration in closings — 15 in March versus 5 in January — may signal early-stage momentum worth monitoring through mid-2026.

Closed Sales by Month — Q1 2026



Cap Rate Trajectory and Pricing Divergence

▼ CAP RATE TREND: Q2 2025 – Q1 2026



Cap Rates Compressed 30 bps Quarter-Over-Quarter but Remain 60 bps Above Q2 2025 Levels. The Q1 2026 average cap rate of 6.5% reflects a partial retracement from the Q3 2025 peak of 6.8%, though pricing has not returned to the 5.9% level recorded just three quarters prior.

The cap rate swing from 5.9% in Q2 2025 to 6.8% in Q3 2025 — a 90 bps move in a single quarter — signals a sharp repricing event that has only partially reversed. The Q1 2026 rate of 6.5% sits in a middle range, suggesting the market has not yet reached consensus on stabilized values. Sigma's asking cap rate of 6.36% versus the closed average of 6.5% indicates sellers are pricing assets slightly tighter than where transactions are clearing — a bid-ask gap that contributes to the extended 221-day marketing times. Until this spread narrows, transaction velocity is likely to remain constrained.

▼ NOTABLE Q4 2025 – Q1 2026 TRANSACTIONS

PROPERTY	SF	SALE PRICE	PRICE/SF	CLASS	BUYER	SELLER
Cielo Center I, II & III	286,106	\$35,700,000	\$125.00	A	Serpa Partners	Starwood Capital
Northview Business Center	261,546	\$21,075,000	\$80.94	B	Central Health	R2 Companies
1501 Volta Dr, Cedar Park	30,000	Not reported	\$223.00	Not reported	CapRidge Partners	Not reported

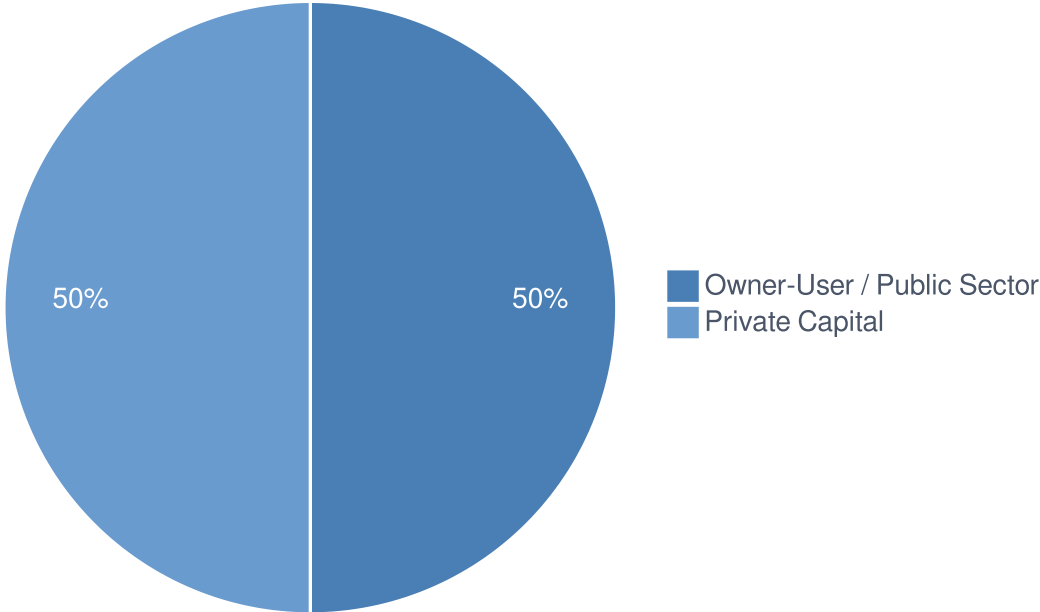
Institutional Sellers Exiting at Discounted Basis While Public-Sector and Private Buyers Step In. Starwood Capital's disposition of Cielo Center at \$125/SF and R2 Companies' sale of Northview at \$80.94/SF reflect institutional capital recycling at pricing well below replacement cost, with a public-sector entity (Central Health) and a private operator (Serpa Partners) absorbing the assets.

The two documented Q4 2025 transactions totaled \$56.8 million across 547,652 SF — averaging \$103.74/SF blended — and illustrate the wide pricing dispersion present in Austin's office market. The \$44/SF gap between the Class A Cielo Center and Class B Northview Business Center reflects both asset quality differentiation and the divergent motivations of buyers: Central Health's acquisition of Northview as an owner-user mirrors

the SB Energy campus conversion dynamic, where occupancy need rather than investment yield drives pricing. The 1501 Volta Dr sale at \$223/SF by CapRidge Partners stands as the highest disclosed per-SF price in Q1 2026, though at only 30,000 SF it represents a distinct small-asset segment. Across all reported transactions, no cap rate was disclosed at the asset level, limiting yield analysis to market-level averages.

▼ BUYER PROFILE COMPOSITION

Buyer Profile by Transaction Type



No Institutional Investment Buyers Identified Among Q1 2026 Closed Transactions. All four identified buyers — SB Energy, Central Health, Serpa Partners, and CapRidge Partners — represent either owner-user, public-sector, or private capital profiles, with no REIT or institutional fund buyers documented in the provided data.

The absence of institutional investment buyers in the documented transaction set is consistent with the broader caution reflected in the \$230 million trailing volume figure. Owner-user conversions (SB Energy, Central Health) account for the largest SF volumes transacted, suggesting that occupancy-driven demand — rather than yield-seeking capital — is currently the primary source of price discovery in Austin's office market. Private capital buyers (Serpa Partners, CapRidge Partners) are active at smaller lot sizes, filling a gap left by institutional retrenchment. The seller side tells a complementary

story: Starwood Capital and R2 Companies represent institutional and value-add capital exiting positions, a dynamic that may persist as long as cap rates remain elevated relative to recent cycle lows.

CBD and Northwest Capture Demand While East and Northeast Hemorrhage Vacancy

NORTHWEST LEASING SHARE

50.2%

456K SF across 14 leases
— dominant Q1 concentration

CBD NET ABSORPTION

402,000 SF

Largest positive absorption of any submarket Q1 2026

EAST SUBMARKET VACANCY

48.0%

Highest vacancy among all Austin submarkets (C&W)

NORTHEAST AVAILABILITY

51.7%

Highest total availability in Austin; sublease at 14.2%

WEST CENTRAL VACANCY

4.4%

Tightest submarket in Austin; Class A vacancy at 1.7%

CBD CLASS A ASKING RENT

\$69.46/SF

Premium of ~\$28/SF over Northeast at \$27.53/SF

NXP SEMICONDUCTORS LEASE

225,000 SF

Largest single Northwest transaction; Domain district anchor

CBD UNDER CONSTRUCTION

703,189 SF

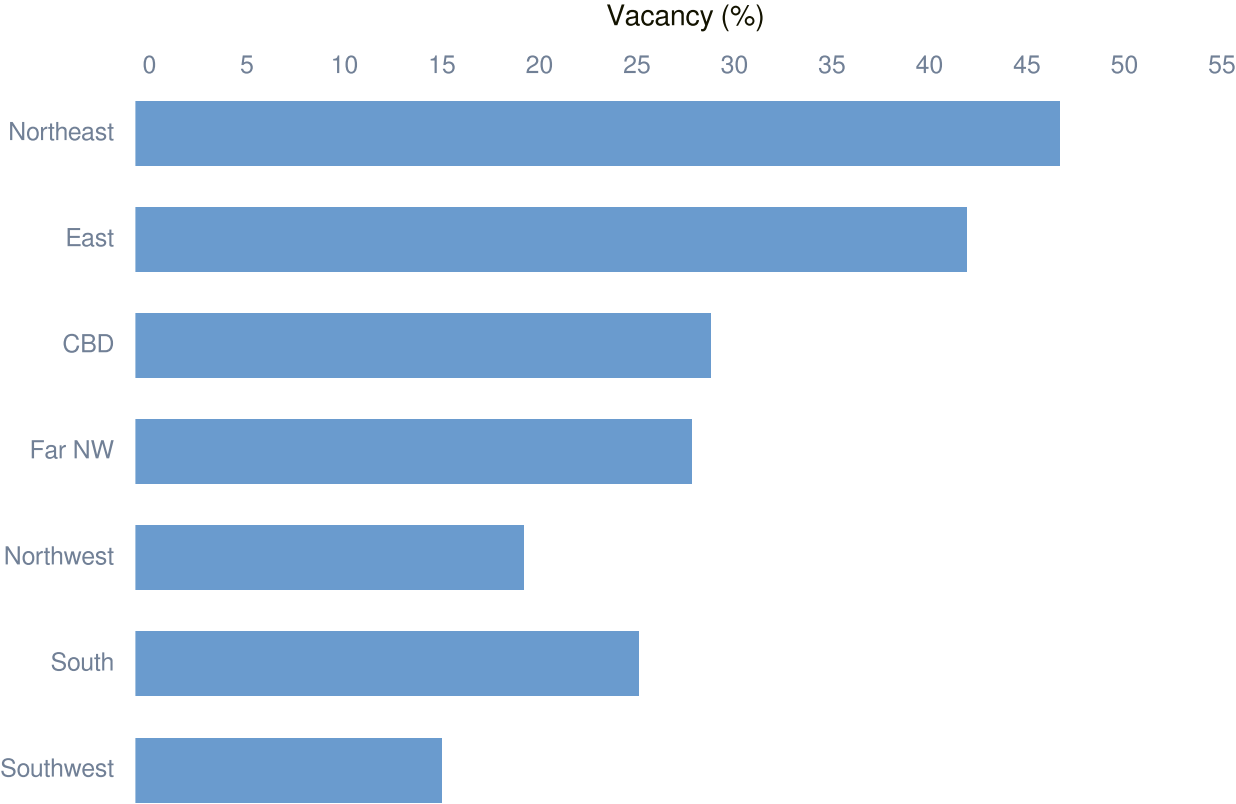
Entirely Waterline Tower A — sole major active CBD pipeline

CBD and Northwest Together Captured Over 80% of Q1 Leasing Volume. CBRE reported Northwest leasing at 456,000 SF (50.2% share) and CBD leasing at 274,000 SF (30.2% share), with demand in the Northwest concentrated in the Domain district anchored by NXP Semiconductors' 225,000 SF commitment at Champion Office Park.

The NXP Semiconductors lease at 6433 N Champion Grandview Way is the clearest signal of where institutional-grade demand is landing in Austin. The Domain district's infrastructure — transit access, mixed-use amenities, and proximity to the tech labor pool — continues to attract large-format occupiers even as broader suburban vacancy remains elevated. Northwest CBRE vacancy of 19.2% stands well below the 27.1% metro average, and the submarket posted 93,000 SF of positive net absorption, one of only a handful of submarkets to record gains. The CBD's 402,000 SF of positive absorption was driven in part by the xAI/Tesla/SpaceX/Intel joint venture occupying ~112,000 SF of sublease space at Seaholm Power Plant — a transaction that underscores how tech-adjacent tenants are absorbing

existing vacancy rather than triggering new construction. With Waterline Tower A representing the only active CBD construction pipeline at 703,189 SF, the supply constraint may support rent stability in premium CBD product as leasing momentum builds.

Q1 2026 Vacancy Rate by Submarket (CBRE)



Submarket Comparison — Vacancy, Rent, and Absorption Across Austin

▼ FULL SUBMARKET METRICS TABLE

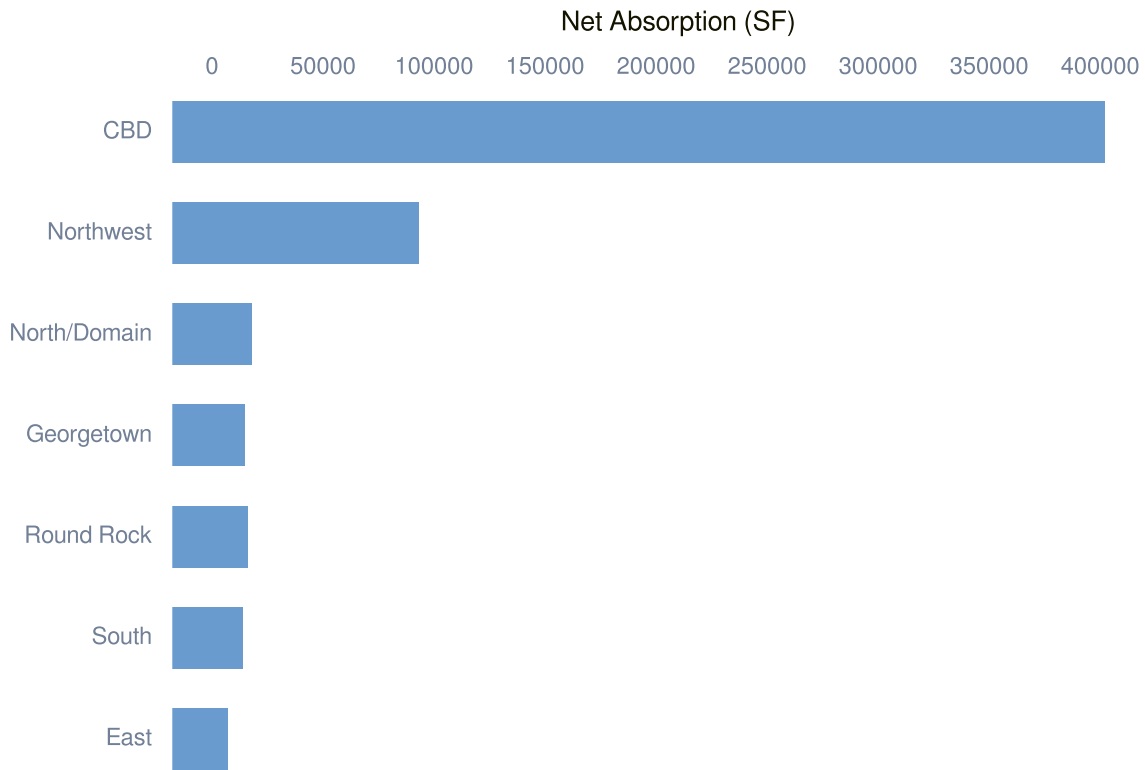
SUBMARKET	VACANCY (Q1 2026)	SOURCE	ASKING RENT (\$/SF/YR)	SOURCE	NET ABSORPTION (SF)	SOURCE
West Central	4.4%	Colliers	\$55.52	Colliers	-1,763	Colliers
Round Rock	6.6%	Colliers	\$32.20	Colliers	+16,089	Colliers
Georgetown	9.7%	Colliers	\$37.96	Colliers	+14,748	Colliers
North / Domain	14.7%	Colliers	\$42.13	Colliers	+18,060	Colliers
Southwest	15.0%	CBRE	\$45.80	CBRE	-48,000	CBRE
Northwest	19.2%	CBRE	\$41.07	CBRE	+93,000	CBRE
South	25.1%	CBRE	\$48.78	CBRE	+14,000	CBRE
CBD	28.8%	CBRE	\$65.81	CBRE	+402,000	CBRE
Far Northwest	27.8%	CBRE	\$40.50	CBRE	-59,000	CBRE
Southeast	19.3%	CBRE	\$34.63	CBRE	-23,000	CBRE
East	41.9%	CBRE	\$53.88	CBRE	+7,000	CBRE
Northeast	46.7%	CBRE	\$27.53	CBRE	-44,000	CBRE

Submarket vacancy ranges from 4.4% (West Central) to 46.7% (Northeast), a 42-percentage-point spread that reflects deeply fragmented demand across Austin geographies.

The 42-point vacancy spread between West Central and Northeast is not a cyclical anomaly — it reflects structural divergence in tenant demand by location quality and amenity access. West Central's 1.7% Class A vacancy and \$60.07/SF Class A asking rent signal near-full occupancy in Austin's most supply-constrained corridor. By contrast, Northeast's 14.2% sublease availability rate — the highest of any submarket — reflects a sustained overhang of tech tenant space that has yet to find takers at any price point. The Northeast's \$27.53/SF average asking rent is less than half the CBD's Class A rate, yet absorption remains negative at -44,000 SF, indicating that price alone is insufficient to clear excess supply in locations lacking amenity infrastructure.

▼ **OUTPERFORMING SUBMARKETS: NORTH/DOMAIN, WEST CENTRAL, GEORGETOWN**

Positive Net Absorption Submarkets (SF)



North/Domain Class A vacancy of 10.4% with 32,099 SF of positive Class A absorption confirms the Domain district as Austin's most resilient suburban office node, supported by IBM's 320,000 SF sublease occupancy at Domain 12 and Industrious' 27,278 SF flex lease at One Uptown.

Georgetown's vacancy improvement from 11.5% to 9.7% quarter-over-quarter, paired with 177,781 SF under construction, positions it as an emerging suburban growth node. Round Rock's Colliers-reported vacancy of 6.6% — among the lowest in the metro — reflects a tight suburban market where new supply (19,567 SF delivered, 23,185 SF underway) is being absorbed without meaningful vacancy pressure. These northern suburban submarkets benefit from proximity to the Austin-Round Rock MSA's technology and semiconductor manufacturing base, which continues to generate office-using employment demand independent of downtown leasing cycles.

▼ DISTRESSED SUBMARKETS: EAST AND NORTHEAST STRUCTURAL OVERHANG

SUBMARKET	VACANCY (C&W / CBRE)	SUBLEASE AVAIL.	NET ABSORPTION (SF)	ASKING RENT
East	48.0% / 41.9%	7.4%	-132,676 / +7,000	\$53.88-\$58.85/SF
Northeast	46.7% (CBRE)	14.2%	-44,000 to -45,000	\$27.53-\$37.80/SF

East submarket direct vacant space totaled 1,557,510 SF with an additional 326,902 SF of sublet vacancy, representing one of the largest absolute concentrations of empty office space in the Austin metro.

The East submarket's asking rent of \$53.88–\$58.85/SF is anomalously high relative to its 41.9–48.0% vacancy range, suggesting landlords have not yet fully repriced to clear excess supply. This disconnect between asking rent and absorption performance may reflect a mix of newer, higher-quality product that commands premium pricing alongside deeply vacant older stock. The Northeast presents a different profile: vacancy is similarly elevated but asking rents at \$27.53/SF (CBRE) reflect a market already discounting aggressively. Northeast Class A vacancy of 58.0% per Colliers is the highest Class A reading in the metro, indicating that even quality product cannot overcome the submarket's location disadvantages. Both submarkets face a prolonged recovery path absent significant demand-side catalysts.

▼ CBD RENT PREMIUM AND PIPELINE CONTEXT

METRIC	CBD VALUE	SOURCE
Class A Asking Rent	\$69.46/SF	CBRE
Average Direct Asking Rent	\$61.26/SF	Colliers
Total Availability	32.2%	CBRE
Sublease Availability	7.5%	CBRE
Net Absorption	+402,000 SF	CBRE
Under Construction	703,189 SF	CBRE
Indeed Tower Occupancy	83.2%	Kilroy/SEC
Indeed Tower Leased Rate	88.8%	Kilroy/SEC

The CBD's \$69.46/SF Class A asking rent — the highest in the Austin metro — coexists with 32.2% total availability, a pairing that reflects the flight-to-quality dynamic: tenants are paying up for trophy product while secondary CBD space remains vacant.

Indeed Tower at 200 W. 6th Street, at 83.2% occupied and 88.8% leased as of March 31, 2026, illustrates the bifurcation within the CBD itself: well-amenitized, institutional-quality towers are approaching stabilization while the broader submarket carries elevated availability. The 703,189 SF Waterline Tower A under construction represents the only active CBD pipeline — its delivery will test whether the current leasing momentum, driven by transactions like xAI's 112,000 SF sublease and Procore's 34,088 SF at Procore Tower, can sustain absorption of new Class A supply without pushing vacancy higher. The CBD's 7.5% sublease availability rate, while notable, remains below the Northeast's 14.2%, suggesting the downtown market has a more manageable shadow supply challenge.

Rate Ceiling Caps Deployment Despite Demand Recovery

AVERAGE CAP RATE
(PARTNERS)

6.5%

+60 bps vs Q2 2025

TRAILING 12-MONTH
SALES VOLUME

\$230M

Partners Real Estate, Q1
2026

AVERAGE PRICE PSF

\$152/SF

vs. \$398.41/SF asking
(Sigma)

Q1 2026 MORTGAGE
RATE

6.41%

↓ from 6.47% in January
2026

CLOSED SALES

27 sales

307 active listings; 220.83
avg days on market

SUBLEASE SUPPLY
REDUCTION

-1.2M SF YoY

2.9M SF available vs. 4.1M
SF in Q1 2025

ACTIVE TENANT
DEMAND

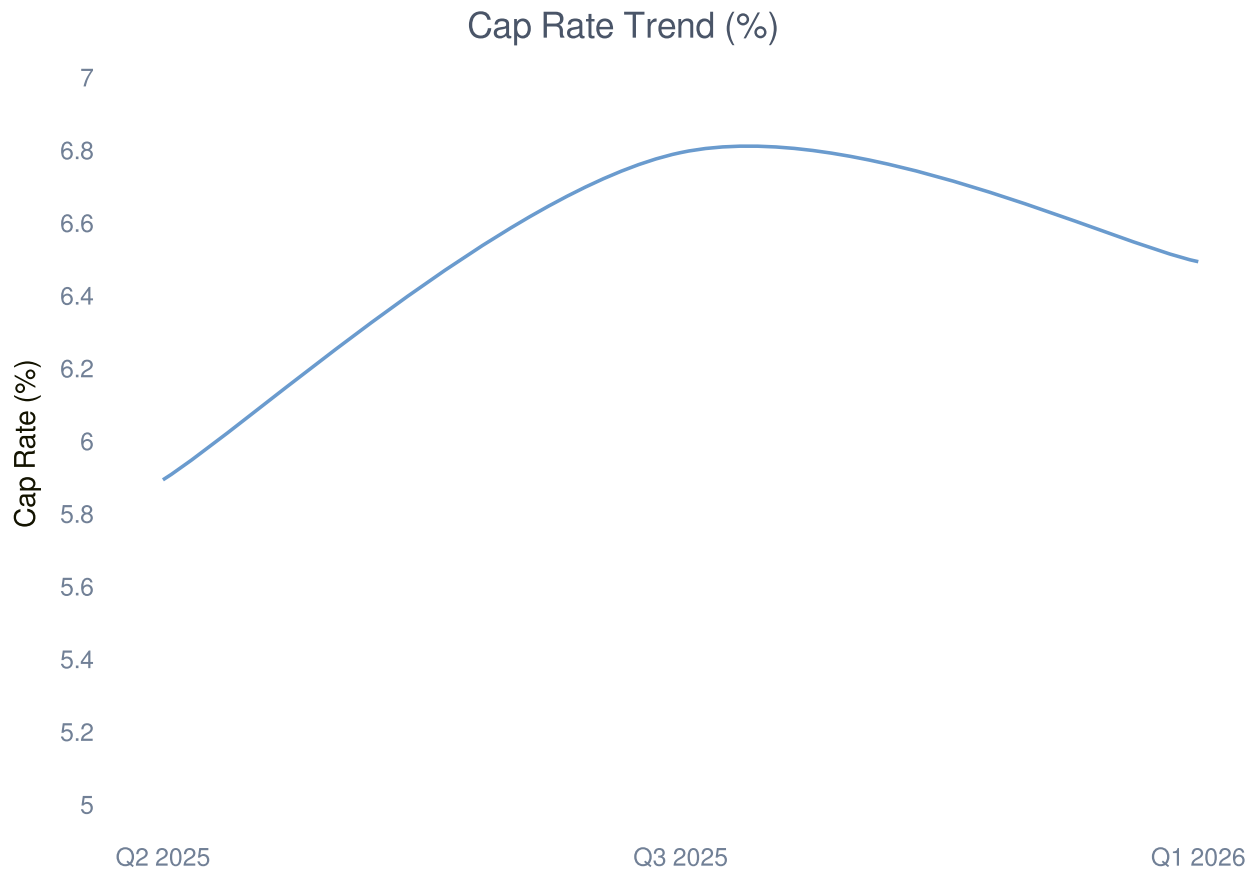
4.4M SF

110+ tenants actively
seeking space

SB Energy's Owner-User Conversion Signals a New Capital Strategy. In Q1 2026, SB Energy purchased the 1.1–1.2 million SF former 3M campus at 6801 River Place Boulevard, converting it to owner-user status and removing approximately 1,233,740 SF from vacancy — one of the largest single-asset transactions in Austin's recent office history.

The SB Energy acquisition illustrates how Austin's distressed pricing environment is attracting non-traditional capital. At a trailing 12-month average of \$152/SF — well below the \$398.41/SF asking price in active listings — closed transactions are clearing at significant discounts, suggesting that bid-ask spreads remain wide and that only opportunistic or owner-user buyers are bridging the gap. With 307 active listings sitting an average of 220.83 days on market and only 27 closed sales recorded in Q1, transaction velocity remains constrained by financing costs in the mid-6% range that compress the spread between cap rates and debt service.

The Q1 2026 cap rate of 6.5% — 60 basis points above Q2 2025's 5.9% but 30 basis points below Q3 2025's 6.8% — suggests the market may be finding a near-term equilibrium, though CBRE's 2026 headline inflation forecast of 3.2% keeps upward pressure on the rate environment. Mortgage rates edged down from 6.47% in January to 6.34% in March, a modest but directionally positive shift that, if sustained, could gradually improve debt coverage ratios and widen the pool of executable transactions.



Capital Market Conditions and Transaction Detail

▼ Q4 2025 COMPARABLE TRANSACTIONS

PROPERTY	SF	SALE PRICE	PRICE PSF
Cielo Center I, II & III	286,106	\$35,700,000	\$125.00
Northview Business Center	261,546	\$21,075,000	\$80.94

Q4 2025 Closed Transactions Reveal Deep Value Pricing. Both Lee & Associates-reported sales cleared well below replacement cost, with Northview Business Center pricing at \$80.94/SF reflecting the distressed end of the market spectrum.

The two Q4 2025 transactions underscore the pricing bifurcation in Austin's office investment market. Cielo Center's \$125/SF pricing reflects a multi-building campus with scale, while Northview's sub-\$81/SF pricing points to assets where occupancy or functional obsolescence concerns are driving buyers to demand steep discounts. Both figures sit far below the Sigma asking price of \$398.41/SF, confirming that the

transaction market is clearing at a fraction of listed values — a dynamic that will continue to suppress volume until sellers adjust expectations or financing conditions improve materially.

▼ DEBT MARKET CONDITIONS — Q1 2026 MONTHLY FINANCING METRICS

MONTH	MORTGAGE RATE	LOAN-TO-VALUE
January 2026	6.47%	0.75
February 2026	6.41%	0.99
March 2026	6.34%	0.75

Mortgage Rate Compression Is Gradual but Directional. Q1 2026 saw a 13-basis-point decline in mortgage rates from January to March, while loan-to-value ratios fluctuated significantly — peaking at 0.99 in February before returning to 0.75 in March.

The intra-quarter LTV swing from 0.75 to 0.99 and back to 0.75 reflects the thin transaction sample underlying these averages rather than a structural shift in lender appetite. At an average Q1 LTV of 0.83, lenders are extending relatively high leverage on the deals that do close — likely reflecting strong collateral quality or owner-user structures that reduce default risk. The 13-basis-point rate decline across the quarter is modest against a backdrop of CBRE's 3.2% inflation forecast for 2026, which limits the Federal Reserve's flexibility to ease materially. If the March rate trajectory holds into Q2, debt service coverage ratios will improve incrementally, but the spread between cap rates (6.5%) and financing costs (6.34–6.47%) remains thin enough to constrain yield-driven acquisitions.

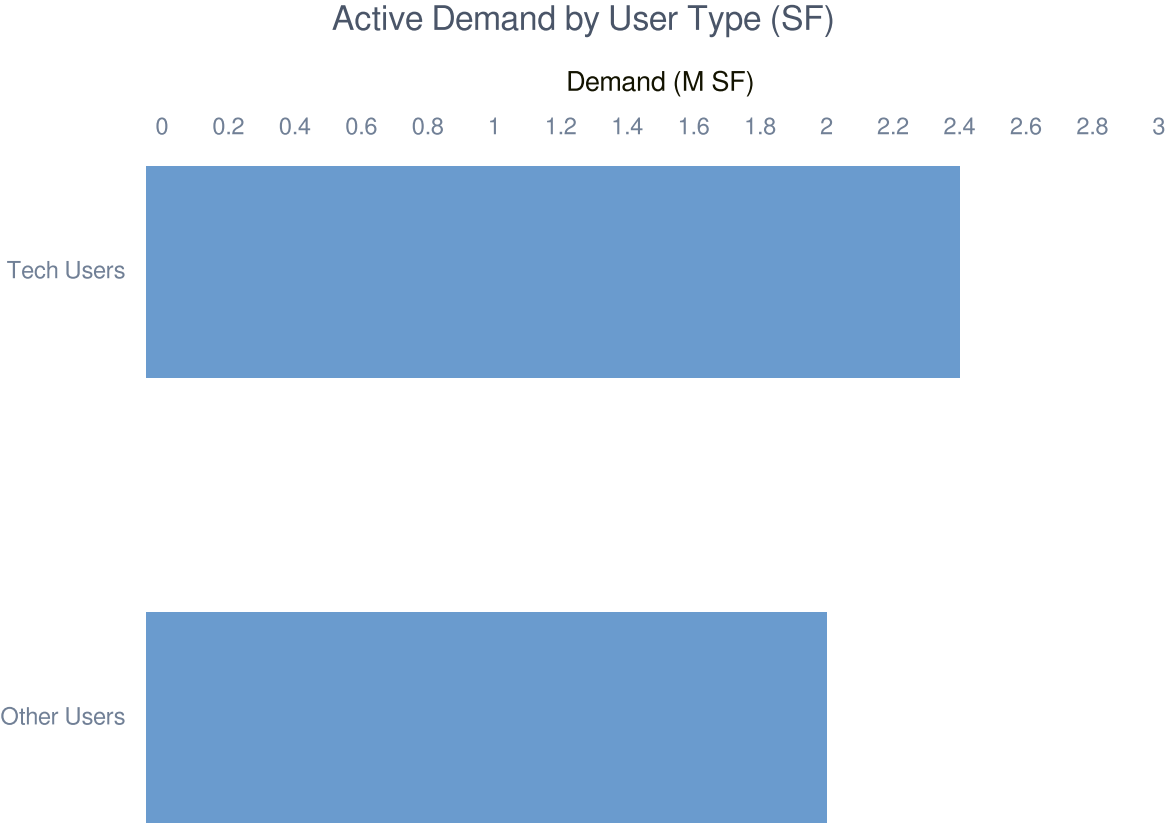
▼ INSTITUTIONAL OWNERSHIP AND REIT EXPOSURE

ASSET	SF	OCCUPIED	LEASED
Indeed Tower (200 W. 6th St) — Kilroy Realty	758,975	83.2%	88.8%

Kilroy Realty's Indeed Tower Demonstrates Institutional Confidence in CBD Trophy Assets. As of March 31, 2026, the 758,975 SF tower was 88.8% leased — above the broader market occupancy trend — reflecting the flight-to-quality dynamic concentrated in Austin's CBD.

Kilroy Realty's Indeed Tower stands as the primary documented institutional ownership position in Austin's Q1 2026 office market. The 5.6-percentage-point gap between leased (88.8%) and occupied (83.2%) indicates near-term absorption potential as signed tenants take occupancy, providing a near-term revenue tailwind for the asset. Beyond this single disclosure, the research data does not report additional REIT acquisition or disposition volume, Austin-specific foreign investment flows, or a count of active institutional buyers — limiting broader conclusions about institutional capital deployment. The SB Energy owner-user conversion and the sub-\$125/SF pricing on Q4 2025 trades suggest that institutional yield buyers have largely stepped back, leaving the transaction market to owner-users and opportunistic private capital.

▼ DEMAND PIPELINE SUPPORTING FUTURE INVESTMENT UNDERWRITING

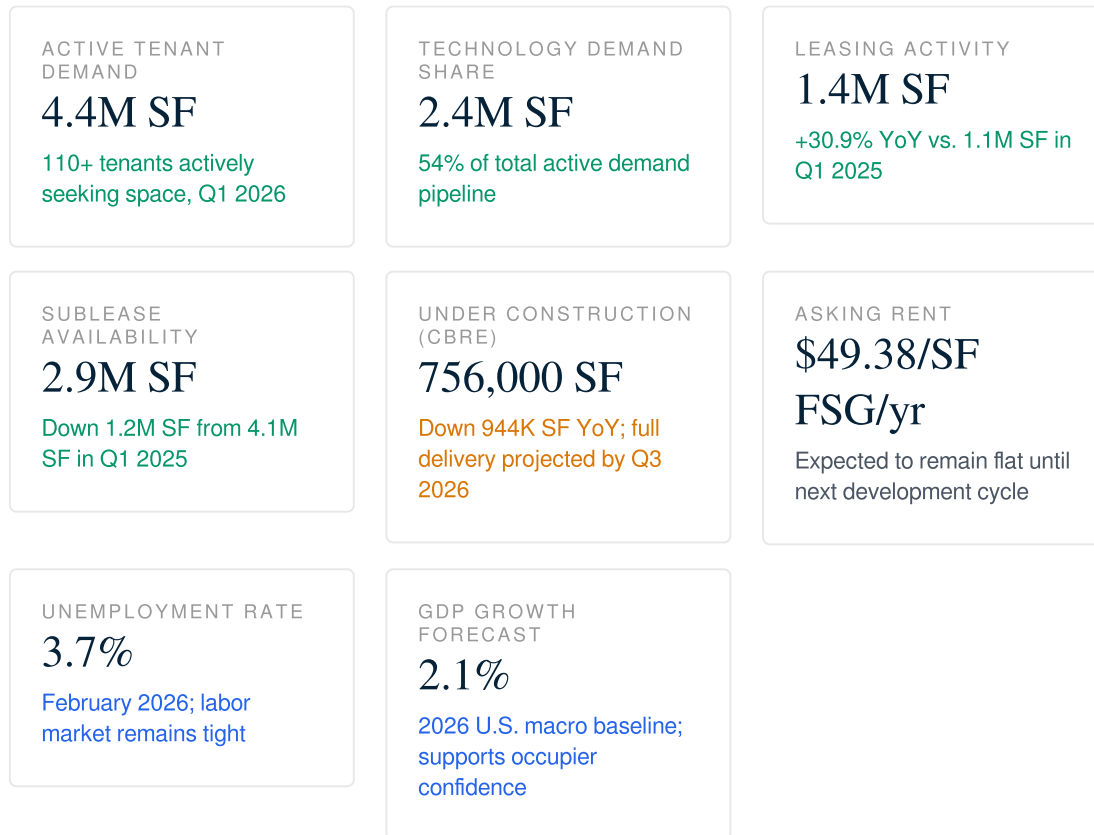


Technology Sector Drives 55% of Active Demand. Of the 4.4M SF actively sought by 110+ tenants as of March 2026, 2.4M SF — 54.5% — originates from technology users, concentrated in the 2nd Street CBD and Domain submarkets.

The 4.4M SF active demand pipeline is a critical underwriting input for investors evaluating Austin office assets, particularly given the 30.9% year-over-year increase in Q1 2026 leasing activity to 1.4M SF — above the five-year quarterly average of 1.2M SF.

The concurrent 1.2M SF reduction in available sublease space (from 4.1M SF to 2.9M SF year-over-year) further tightens the effective supply picture. For investment underwriting, these demand signals support stabilization assumptions in well-located assets, though the concentration of demand in two specific submarkets (2nd Street and Domain) means assets outside these corridors face a materially different leasing environment. Austin MSA unemployment edging from 3.2% in January to 3.7% in February, alongside a 16,300-person decline in total nonfarm employment, introduces a note of caution on the durability of tech-sector demand.

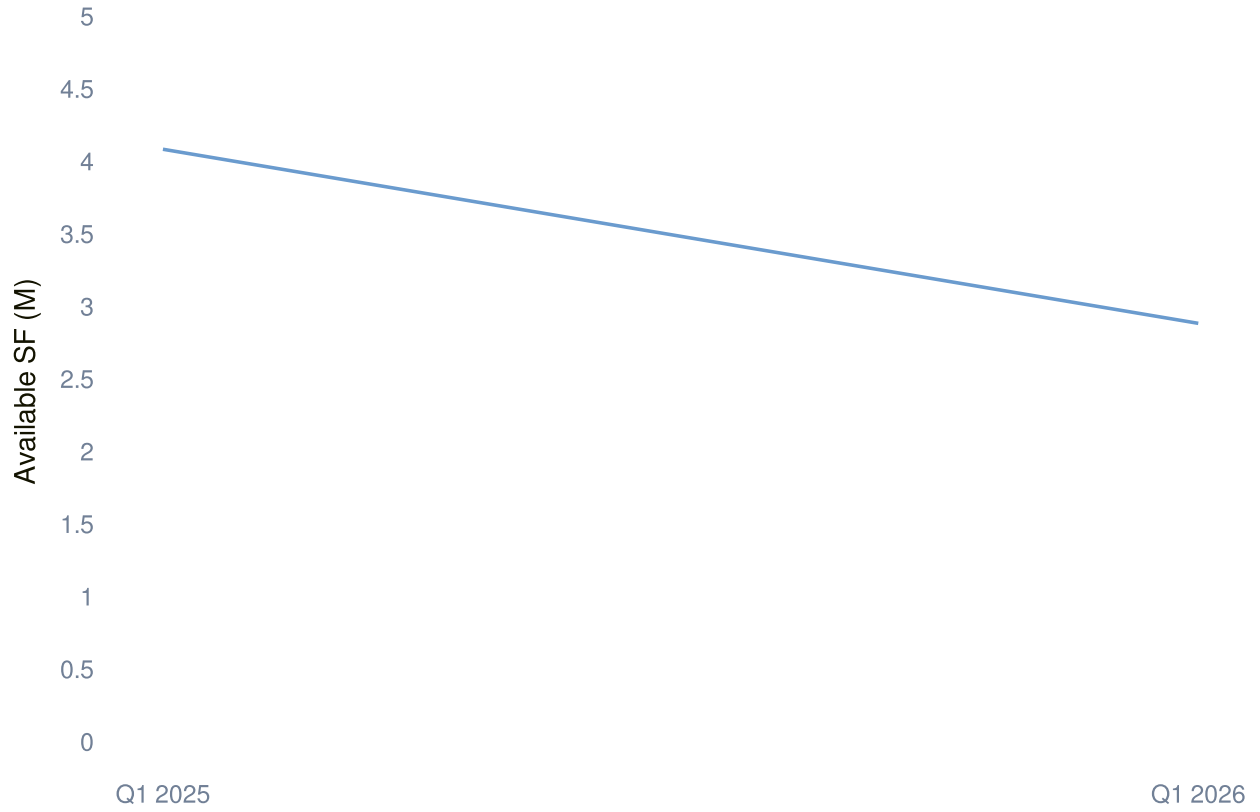
Demand Pipeline Outpacing Supply Contraction



Tech Sector Anchors Austin's 4.4M SF Demand Pipeline. CBRE identified 110+ tenants actively seeking space in Q1 2026, with technology users alone accounting for more than 2.4M SF — over half of total active requirements — signaling that the sector driving Austin's decade-long growth cycle remains an engaged, if selective, occupier base.

The scale of the tech-led demand pipeline stands in sharp contrast to the information sector's -5.1% year-over-year employment decline through February 2026. This divergence suggests that while headcount in the information sector contracted, space requirements from technology occupiers — likely including hyperscalers and AI-adjacent firms — remained robust. CBRE's macro view noted hyperscaler capex approaching 3% of U.S. GDP in 2026, a figure that directly supports large-block office and campus demand in established tech corridors like Austin. With the entire 756,000 SF under construction pipeline projected to deliver by Q3 2026 and no new construction starts recorded in Q1, the supply side offers little relief for tenants seeking quality options. As sublease availability compresses — down 29% year-over-year to 2.9M SF — the effective choice set for large-block users narrows, a dynamic that could accelerate decision timelines for tenants currently in the market.

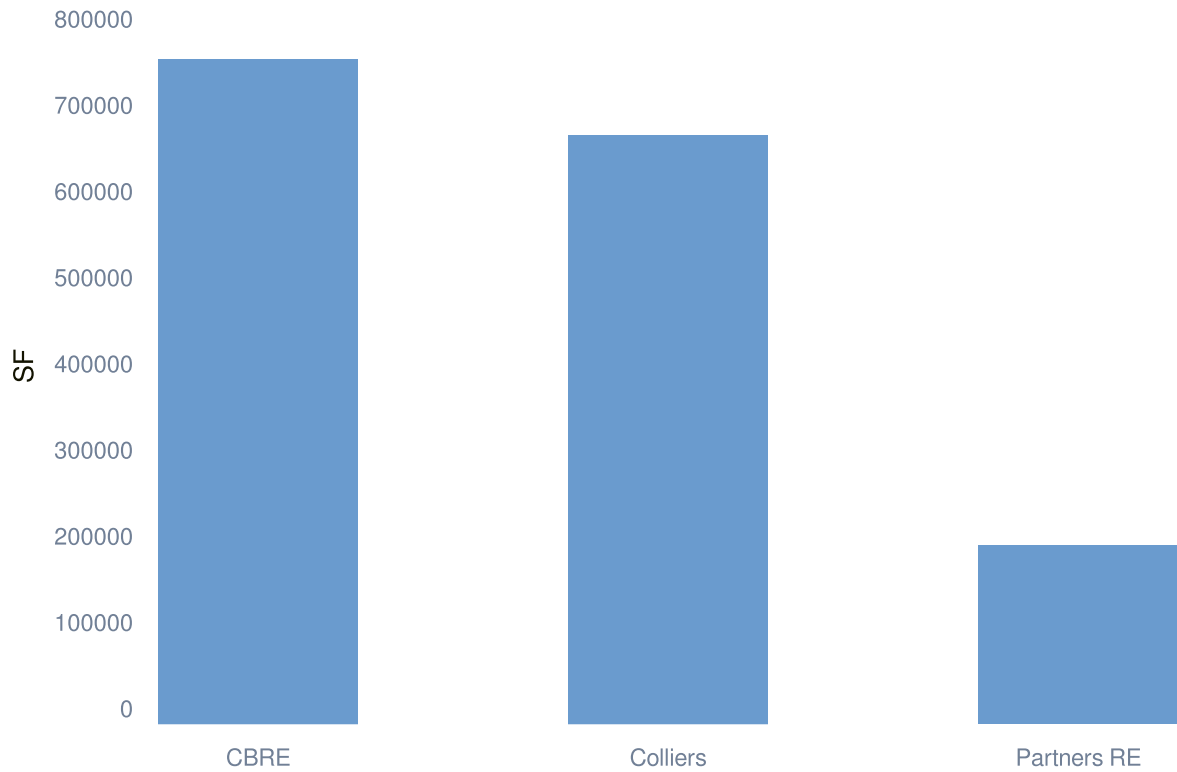
Sublease Availability Trend (M SF)



Forward Indicators Across Supply, Demand, and Labor

▼ 6-12 MONTH OUTLOOK: SUPPLY TIGHTENING AS PIPELINE EXHAUSTS

Under Construction by Source (SF, Q1 2026)



Entire Active Pipeline Delivers by Q3 2026. CBRE projects all 756,000 SF currently under construction will deliver by end of Q3 2026, with zero new construction starts recorded in Q1 — effectively closing the near-term supply window.

The near-term supply picture is unambiguous: Austin's construction pipeline has contracted sharply, falling from 1.7M SF in Q1 2025 to 756,000 SF in Q1 2026 per CBRE — a 55% year-over-year decline. Colliers and Partners Real Estate reported lower pipeline figures of 668,147 SF and 191,850 SF respectively, reflecting methodological differences, but all three sources confirm the same directional trend. Lee & Associates noted in Q4 2025 that "available supply is projected to continue tightening into 2026," and with completions falling 95.8% quarter-over-quarter per Partners Real Estate, the delivery pipeline offers minimal near-term additions to inventory. For tenants requiring large blocks of quality space, the window to negotiate from a position of supply abundance is narrowing as the remaining pipeline exhausts.

▼ 12–24 MONTH OUTLOOK: RENT STABILIZATION BEFORE NEXT CYCLE

METRIC	Q1 2025	Q1 2026	CHANGE
Under Construction	1,700,000 SF	756,000 SF	-944,000 SF
Sublease Availability	4,100,000 SF	2,900,000 SF	-1,200,000 SF
Leasing Activity	1,100,000 SF	1,400,000 SF	+300,000 SF
Asking Rent	Data not available	\$49.38/SF/yr	—

Rents Expected Flat Until Development Cycle Restarts. CBRE stated asking rents are expected to remain relatively flat until the next development cycle, with the current average direct asking rent at \$49.38/SF FSG/year — a signal that landlord pricing power is building but not yet translating into measurable rent growth.

Over a 12–24 month horizon, the interplay between a compressing sublease market, an exhausted construction pipeline, and a 4.4M SF demand pool sets the conditions for gradual vacancy tightening. Savills noted that tenant demand is expected to remain selective toward newer, amenity-rich Class A buildings in core submarkets, a pattern that concentrates absorption in a narrow slice of inventory while leaving older, less-amenitized stock to absorb vacancy more slowly. The 901 S Congress Ave mass timber project — revised to a five-story concept with program uncertainty remaining —

illustrates the caution developers are exercising before committing to new speculative supply. Until a new development cycle is triggered, asking rents are likely to hold near current levels, with upward pressure building most visibly in CBD and core submarket trophy and Class A product.

▼ LABOR MARKET AND MACRO DRIVERS: MIXED SIGNALS, RESILIENT BASE

SECTOR	FEB 2026 EMPLOYMENT	YOY CHANGE
Professional & Business Services	283.9K	+1.6%
Financial Activities	91.4K	+4.0%
Information	48.0K	-5.1%
Total Nonfarm	1,403.8K	+1.1%

Financial Activities Employment Grew 4.0% YoY, Offsetting Information Sector Contraction. Austin's office-using employment base is diversifying, with financial activities adding jobs at a rate that partially offsets the -5.1% year-over-year decline in the information sector through February 2026.

Austin's labor market remained tight through February 2026, with the unemployment rate at 3.7% and total nonfarm employment up 1.1% year-over-year. The sectoral composition of that growth matters for office demand: financial activities employment grew 4.0% year-over-year to 91,400 jobs, and professional and business services added 1.6% to reach 283,900 jobs — both categories with above-average office space utilization. The information sector's -5.1% contraction is a headwind, but the 2.4M SF of active technology demand in the pipeline suggests that space requirements from tech-adjacent and hyperscaler users are not tracking directly with traditional information employment counts. Against a U.S. GDP growth forecast of 2.1% and headline inflation of 3.2% for 2026, the macro backdrop supports continued occupier activity, though financing conditions — with the Q1 2026 average mortgage rate at 6.41% — continue to temper investment sales velocity alongside leasing momentum.

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